



2021/22
ANNUAL REPORT ON
NON-COMPLIANCE
WITH PAYMENTS OF
SUPPLIER'S INVOICES
WITHIN 30 DAYS



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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1. Executive Summary

The National Treasury provides reports to relevant stakeholders on the status of non-compliance with Treasury Regulation 8.2.3 and continues to monitor the level of compliance with the requirement to pay supplier's invoices within the prescribed period in terms of section 38(1)(f) the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

Treasury Instruction Number 34 issued in 2011, requires departments to submit 30 days exception reports to the relevant treasuries by the 7th day of each month, with details of the number and value of invoices paid after 30 days from the date of receiving invoices, the number and value of invoices that are older than 30 days which remained unpaid, and the reasons for the late and/or non-payment of these invoices.

In terms of the legislative requirements of the PFMA, Treasury Regulations and Treasury Instructions, public entities listed in Schedules 2 and 3 to the PFMA are not required to settle their invoices within 30 days, it is however crucial that public entities apply the 30 days payment principle to ensure amongst others, financial sustainability of the Small, Medium and Micro Enterprises (SMMEs). This requirement will be made applicable to public entities in the coming months.

The late and/or non-payment of supplier's invoices impacts negatively among others, the socio-economic challenges that our country faces such as (high unemployment rate, inequality, poverty), the financial health of suppliers, and the ability of suppliers to pay salaries and meet their contractual obligations, the impact of the COVID 19 Pandemic and many other challenges.

To ensure that supplier operations continue without strain and financial difficulties, government institutions are urged to pay their suppliers on time and not contribute to the dire effects of the Pandemic that has already put a strain on the financial sustainability of SMMEs.

Summary of National and provincial departments Analysis

Table 1 – Summary of National and Provincial Departments

Summary National and Provincial Departments				
Number and Rand value of invoices not paid within 30 days in 2021/2022 Financial Year				
Departments	Invoices Paid After 30 Days		Invoices older than 30 days not paid	
	Number of Invoices	Rand Value of Invoices	Number of Invoices (March 2022)	Rand Value of Invoices (March 2022)
National Departments	138,332	R 4.7 billion	134	R 4.7 million
Provincial Departments	263,359	R 29 billion	67,728	R 6.1 billion
Total	401,691	R 33.7 billion	67,862	R 6.1 billion

Table 1 above illustrates that the number of invoices paid after 30 days by national and provincial departments in the 2021/2022 financial year amounted to 401 691 invoices to the Rand value of R 33.7 billion. Furthermore, the number of invoices older than 30 days and not paid by the national and provincial departments at end of March 2022 amounted to 67 862 to the rand value of R 6.1 billion.

The table further indicates that the provincial departments contribute the highest number and rand value of invoices paid not paid within 30 days in the 2021/2022 financial year.

National Departments

The statistics show an improvement of 2% in the submission of exception reports by national departments to the National Treasury when comparing the prior year to the period under review as all departments submitted their exception reports for the 2021/2022 financial year.

There is an improvement of 63% in the number of invoices older than 30 days and not paid at the end of the 2021/2022 financial year which amounted to 134 invoices to the Rand value of R 5 million when compared to 358 invoices to the Rand value of R426 million reported at the end of the 2020/2021 financial year. There is a noticeable regression of 75% in the number of invoices paid after 30 days by the national department in the 2021/2022 financial year which amounted to 138 332 invoices to the Rand value of R 4.7 billion when compared to 78 921 invoices to the Rand value of R 4.4 billion paid in the 2020/2021 financial year.

Provincial Departments

The statistics show an improvement of 1% in the submission of exception reports by provincial treasuries to the National Treasury for their respective provincial departments when comparing the prior year to the period under review as all provincial treasuries submitted their exception reports for the 2021/22 financial year.

There is a regression of 81% in the number of invoices older than 30 days and not paid at the end of the 2021/2022 financial year which amounted to 67 728 invoices to the Rand value of R 6.1 billion when compared to 37 506 invoices to the Rand value of R 5.3 billion reported in the 2020/2021 financial year. There is a noticeable regression of 16% in the number of invoices paid after 30 days by the provincial department in 2021/2022 which amounted to 263 359 invoices to the Rand value of R 29 billion when compared to 227 190 invoices to the Rand value of R26 billion paid in the 2020/2021 financial year.

2. Purpose

The purpose of this annual report is to keep the relevant stakeholders¹ abreast of non-compliance information with the legislative requirements to pay supplier's invoices within 30 days and provide a trends analysis of what transpired in the 2021/2022 financial year when comparing such to the previous financial year analysis.

The annual report also provides common reasons recorded by departments for late and/or non-payment of invoices and continuous efforts taken by the National Treasury to improve compliance with the requirements to pay invoices within 30 days.

3. National Departments Analysis

3.1 Submission of the 30 days Exception Reports

The National Treasury Instruction No. 34 requires national departments to submit 30 days exception reports to the National Treasury by the 7th day of each month with information in respect of the preceding month. This consolidated annual report is developed based on the information provided by national departments during the 2021/2022 financial year.

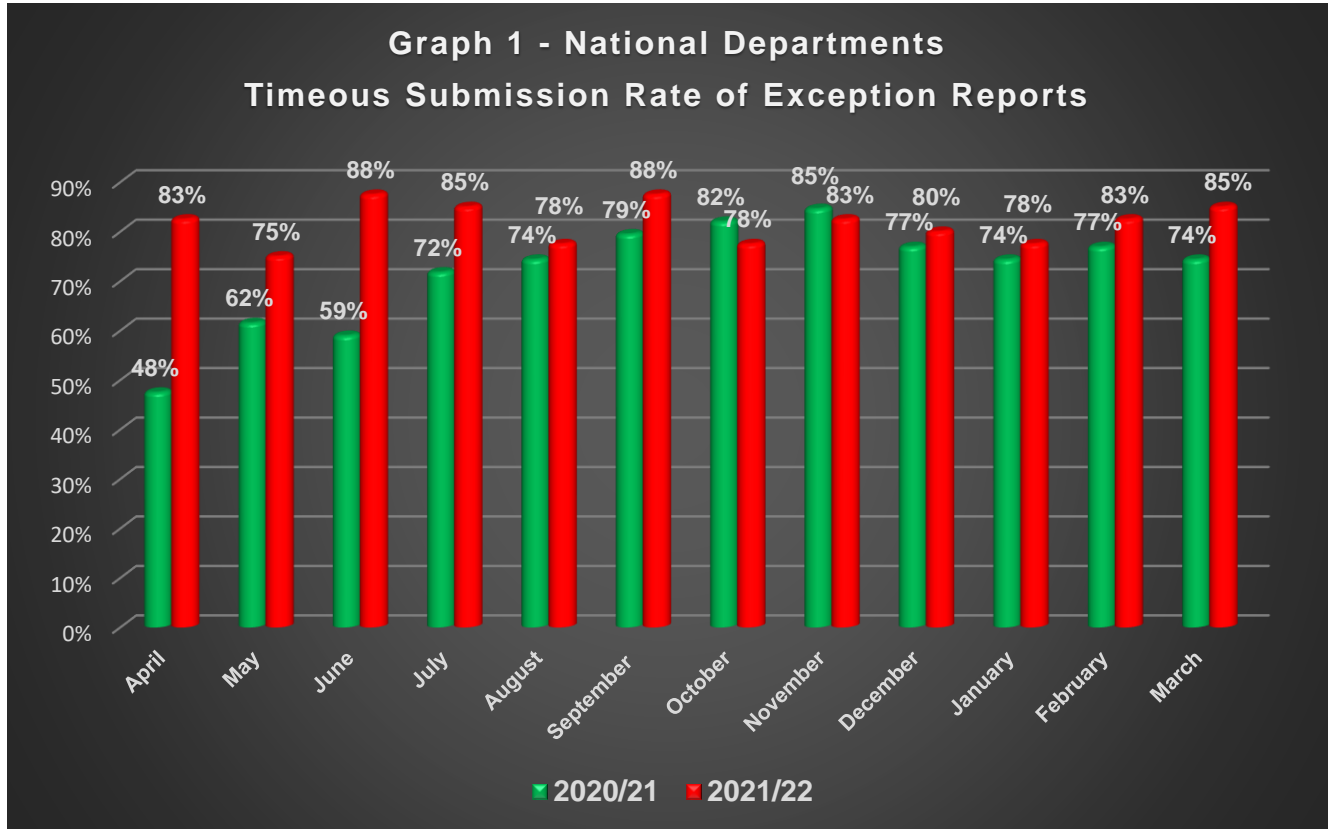
All forty (40) national departments which were required to submit the 30 days exception reports during the 2021/2022 financial year submitted such reports to the National Treasury as required by legislation. The annual average submission rate indicates an improvement of 2% when comparing the annual average submission rate of 100% achieved in the 2021/2022 financial year to the annual average submission rate of 98% achieved in the 2020/2021 financial year.

¹ Relevant stakeholders are the Standing Committee on Public Accounts (SCOPA), Standing Committee on Finance (SCoF), the Public Service Commission, the Department of Planning Monitoring and Evaluation, the Department of Small Business and Development and other key stakeholders.

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Graph 1 below provides a month-to-month comparative analysis of the **timeous submission rate of exception reports** by the national departments for the 2021/2022 and 2020/2021 financial years.

Graph 1 – Timeous Submission Rate of Exception Reports



Graph 1 above indicates that national departments achieved an annual average timeous submission rate of 82% in the 2021/2022 financial year. This represents an **improvement** of 10% when compared to the annual average timeous submission rate of 72% achieved in the 2020/2021 financial year.

Table 2 below provides a list of national departments that achieved a 100% compliance rate on submission of 30 days exception reports during the 2021/2022 financial year.

Table 2 – Departments that Submitted all their Exception Reports Timeously

National Departments					
Table 2: Departments that Submitted Exception Reports Timeously in the 2021/2022 Financial Year					
	Department	Exception Reports Submitted		Exception Reports Submitted Timeously	
		Number	Annual %	Number	Annual %
1	Corporative Governance	12	100%	12	100%
2	Home Affairs	12	100%	12	100%
3	National School of Government	12	100%	12	100%
4	National Treasury	12	100%	12	100%
5	Planning, Monitoring and Evaluation	12	100%	12	100%
6	Public Enterprises	12	100%	12	100%

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7	Public Service and Administration	12	100%	12	100%
8	Public Service Commission	12	100%	12	100%
9	Public Works and Infrastructure	12	100%	12	100%
10	Statistics South Africa	12	100%	12	100%
11	Correctional Services	12	100%	12	100%
12	Defence	12	100%	12	100%
13	Independent Police Investigative Directorate	12	100%	12	100%
14	Office of the Chief Justice	12	100%	12	100%
15	Police	12	100%	12	100%
16	Communications and Digital Technologies	12	100%	12	100%
17	Mineral Resources and Energy	12	100%	12	100%
18	Small Business Development	12	100%	12	100%
19	Sports, Arts and Culture	12	100%	12	100%
20	Tourism	12	100%	12	100%
21	Water and Sanitation	12	100%	12	100%

Table 2 above indicates that twenty-one (21) or 53% of national departments submitted all their exception reports timeously as prescribed in the 2021/2022 financial year. This reflects a noticeable **improvement** in the timeous submission of exception reports by national departments when comparing the number of national departments that submitted timeously in the 2020/2021 financial year where only eight (8) national departments submitted timeously.

Table 3 below provides a list of national departments that failed to submit their exception reports timeously to the National Treasury.

Table 3 – Departments that failed to Submit all their Exception Reports Timeously

National Departments					
Table 3: Departments that failed to Submit their Exception Reports timeously in the 2021/2022 Financial Year					
	Department	Exception Reports Submitted		Exception Reports Submitted Timeously	
		Number	Annual %	Number	Annual %
1	Presidency	12	100%	11	92%
2	Traditional Affairs	12	100%	11	92%
3	Higher Education and Training	12	100%	11	91%
4	Social Development	12	100%	11	92%
5	Women, Youth and Persons with Disabilities	12	100%	11	92%
6	Justice and Constitutional Development	12	100%	11	92%
7	Science and Innovation	12	100%	11	92%
8	Trade, Industry and Competition	12	100%	11	92%

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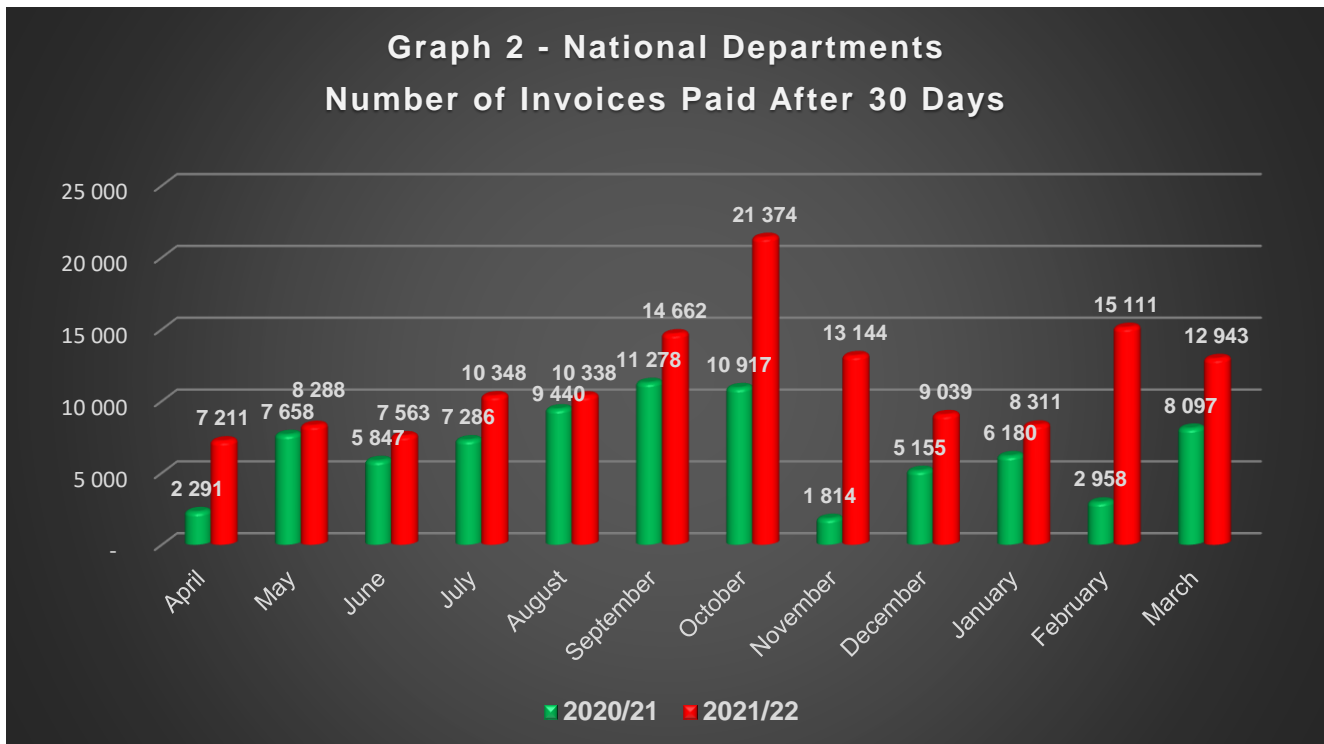
9	Environment, Forestry and Fisheries	12	100%	10	83%
10	Human Settlements	12	100%	10	83%
11	Military Veterans	12	100%	7	58%
12	Civilian Secretariat for the Police Service	12	100%	6	50%
13	Government Communication and Information Systems	12	100%	5	42%
14	International Relations and Cooperation	12	100%	5	33%
15	Basic Education	12	100%	3	25%
16	Health	12	100%	3	25%
17	Employment and Labour	12	100%	2	17%
18	Transport	12	100%	1	8%
19	Agriculture, Land Reform and Rural Development	12	100%	0	0%

Table 3 above indicates that nineteen (19) or 48% of national departments failed to submit all their exception reports timeously in the 2021/2022 financial year. Some of these departments were classified in the same category in the 2020/2021 annual report, showing a lack of improvement.

3.2 Number of Invoices Paid After 30 Days

Graph 2 below provides a month-to-month comparative number of invoices paid after 30 days by national departments in the 2021/2022 financial year when compared to the 2020/2021 financial year.

Graph 2 – Number of Invoices Paid After 30 Days



Graph 2 above illustrate that the total number of invoices paid after 30 days by national departments in the 2021/2022 financial year amounted to 138 332 invoices representing **a regression** of 59 411 invoices or 75% when compared to the total number of invoices paid after 30 by the national department in 2020/2021 financial year which amounted to 78 921 invoices.

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The annual average number of invoices paid after 30 days during the 2021/2022 financial year amounted to 11 528 invoices, representing a regression of 4 951 invoices or 75% when compared to the annual average number of invoices paid after 30 days during the 2020/2021 financial year which amounted to 6 577 invoices.

According to information submitted to the National Treasury during the 2021/2022 financial year, the following departments paid all their invoices within 30 days as per the legislative requirements:

- National School of Government;
- Planning, Monitoring and Evaluation;
- Public Service and Administration;
- Traditional Affairs;
- Communications and Digital Technologies;
- Small Business Development;
- Sports, Arts and Culture; and
- Trade, Industry and Competition.

These departments are applauded for their outstanding performance and are urged to maintain excellent performance in ensuring that all their supplier's invoices are paid within the agreed timeframe.

Table 4 below provides a list of national departments that recorded the highest number of invoices paid after 30 days, the percentage (%) and the corresponding Rand value in the 2021/2022 financial year.

Table 4 – Department that Recorded the Highest number of Invoices Paid After 30 days

National Departments				
Table 4: Departments that recorded the highest number of invoices paid after 30 days in 2021/2022 financial				
	Department	Number of Invoices	Rand Value	%
1	Military Veterans	862	R 10 356 089	1%
2	Environment, Forestry and Fisheries	1 434	R 92 195 955	1%
3	Health	1 623	R 184 635 065	1%
4	Agriculture, Land Reform and Rural Development	1 698	R 254 470 653	1%
5	Correctional Services	2 723	R 1 002 184 714	2%
6	Police	2 908	R 457 542 306	2%
7	International Relations and Cooperation	2 983	R 130 610 483	2%
8	Water and Sanitation	4 345	R 254 853 665	3%
9	Public Works and Infrastructure	12 330	R 739 964 232	9%
10	Defence	104 783	R 1 353 548 661	76%

The table above illustrates that the department of Defence recorded the highest number of invoices paid after 30 days which amounted to 104 783 invoices or 76% of the total number of invoices paid after 30 days in the 2021/2022 financial year. The department of Public Works and Infrastructure recorded the second-highest number of invoices paid after 30 days which amounted to 12 330 invoices or 9% of the total number of invoices paid after 30 days in the 2021/2022 financial year.

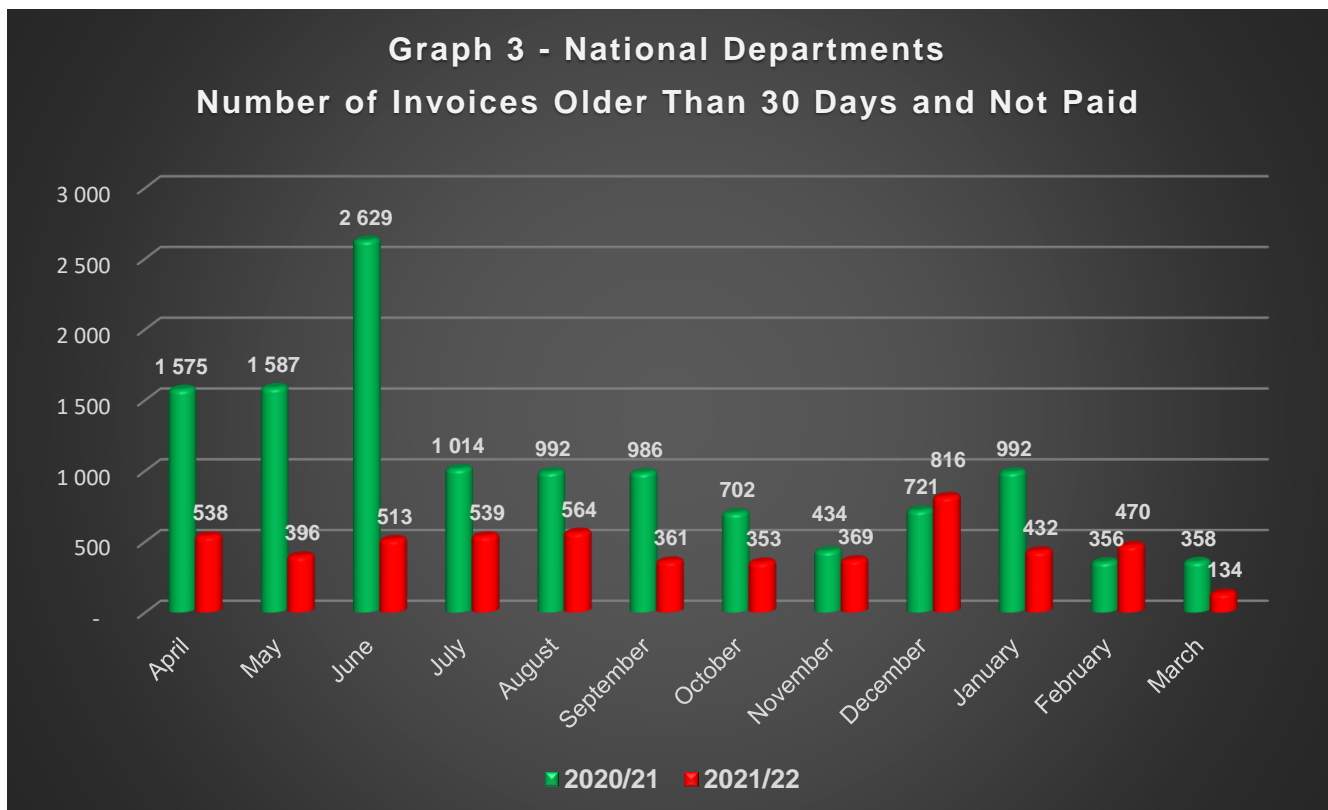
The department of Water and Sanitation recorded the third-highest number of invoices paid after 30 days which amounted to 4 345 invoices or 3% of the total number of invoices paid after 30 days in the 2021/2022 financial year, followed by the department of International Relations and Cooperation which recorded 2 983 invoices or 2% of the total number of invoices paid after 30 days in the 2021/2022 financial year.

The department of Military Veterans recorded the lowest number of invoices paid after 30 days which amounted to 862 invoices or 1% of the total number of invoices paid after 30 days in the 2021/2022 financial year, followed by the department of Environment, Forestry and Fisheries which recorded the 1 434 invoices or 1% of the total number of invoices paid after 30 days in the 2021/2022 financial year.

3.3 Number of Invoices Older than 30 Days and Not paid

Graph 3 below provides a month-to-month comparative number of invoices older than 30 days and not paid in the 2021/2022 financial year when compared to the 2020/2021 financial year.

Graph 3 – Number of Invoices Older than 30 Days and not Paid



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Graph 3 above illustrate that the total number of invoices older than 30 days and not paid by national departments at the end of the 2021/2022 financial year amounted to 134 invoices, and this represents **an improvement** of 224 invoices or 63% when compared to the total number of invoices older than 30 days and not paid at the end of 2020/2021 financial year which amounted to 358 invoices.

Table 5 below provides a list of national departments that had outstanding invoices which were older than 30 days at the end of March 2021/2022 financial year and the corresponding Rand values.

Table 5 – Departments with outstanding Invoices Older than 30 days

National Departments				
Table 5: Departments with invoices older than 30 days and not paid at the end of the 2021/2022 financial year				
	Department	Number of Invoices	Rand Value	% of invoices
1	Tourism	93	R 511 722	69%
2	Public Works and Infrastructure and Property Management trading Entity (PMTE)	20	R 3 445 510	15%
3	Environment, Forestry and Fisheries	17	R 45 625	13%
4	Cooperative Governance	2	R 410 341	1%
5	National Treasury	1	R221 666	1%
6	Social Development	1	R 66 352	1%

Table 5 above illustrates that the department of Tourism reported the highest number of invoices older than 30 days and not paid at the end of March 2022 which amounted to 93 invoices or 69% of the total number of invoices older than 30 days and not paid due to non-compliance with internal processes as reported by the department.

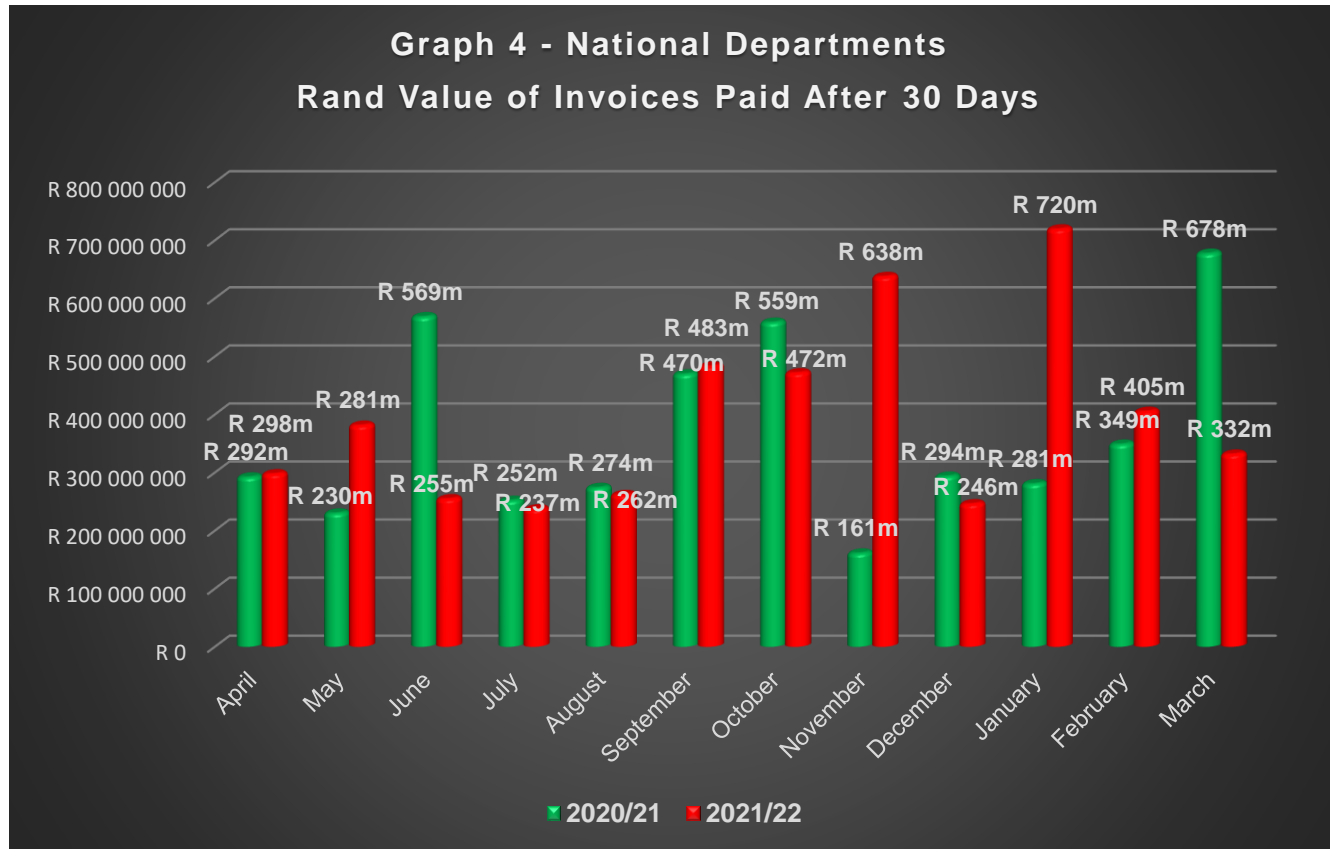
The department of Public Works and Infrastructure including PMTE reported the second-highest number of invoices older than 30 days and not paid at the end of March 2022 which amounted to 20 invoices or 15% of the total number of outstanding invoices.

The department of Environment, Forestry and Fisheries reported the third-highest number of invoices older than 30 days and not paid at the end of March 2022 which amounted to 17 invoices or 13% of the total number of outstanding invoices.

3.4 Rand Value of Invoices Paid After 30 Days

Graph 4 below provides a month-to-month comparative Rand value of invoices paid after 30 days in the 2021/2022 financial year when compared to the 2020/2021 financial year.

Graph 4 – Rand Value of Invoices Paid After 30 Days



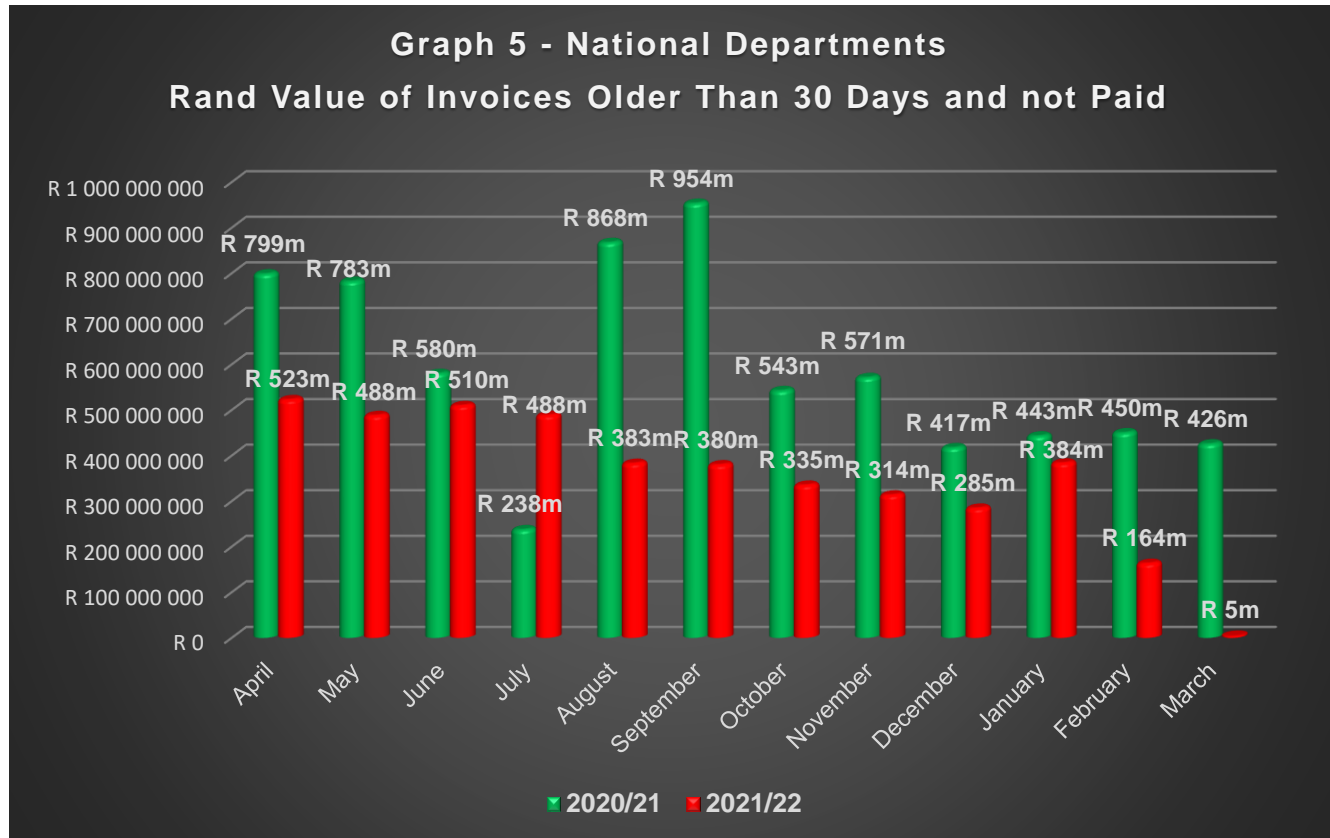
Graph 4 above illustrate that the total Rand value of invoices paid after 30 days by national departments in the 2021/2022 financial year amounted to R 4.7 billion, and this represents **a regression** of R 300 million or 7% when compared to the total Rand value of invoices paid after 30 days by national departments in 2020/2021 financial year which amounted to R 4.4 billion.

The annual average Rand value of invoices paid after 30 days by national departments in the 2021/2022 financial year amounted to R 394 million, and this represents a regression of R 27 million or 7% when compared to the annual average Rand value of invoices paid after 30 days in the 2020/2021 financial year which amounted to R 367 million.

3.5 Rand Value of Invoices Older Than 30 Days and Not Paid

Graph 5 below provides a month-to-month comparative Rand value of invoices older than 30 days and not paid at the end of the 2021/2022 financial year when compared to the 2020/2021 financial year.

Graph 5 – Rand Value of Invoices Older than 30 Days and not Paid



Graph 5 above illustrate that the total Rand value of invoices older than 30 days and not paid by national departments at the end of the 2021/2022 financial year amounted to R 5 million, and this represents **an improvement** of R 421 million or 99% when compared to the total Rand value of invoices older than 30 days and not paid by the national departments at the end of 2020/2021 financial year which amounted to R 426 million.

National departments are applauded for this improved performance and urged to work towards paying all invoices on time and not only after 30 days.

The enclosed **Annexure A** provides consolidated information on the number and Rand value of invoices paid after 30 days and the number and Rand value of invoices older than 30 days and not paid by the national departments during the 2021/2022 financial year.

4. Provincial Departments Analysis

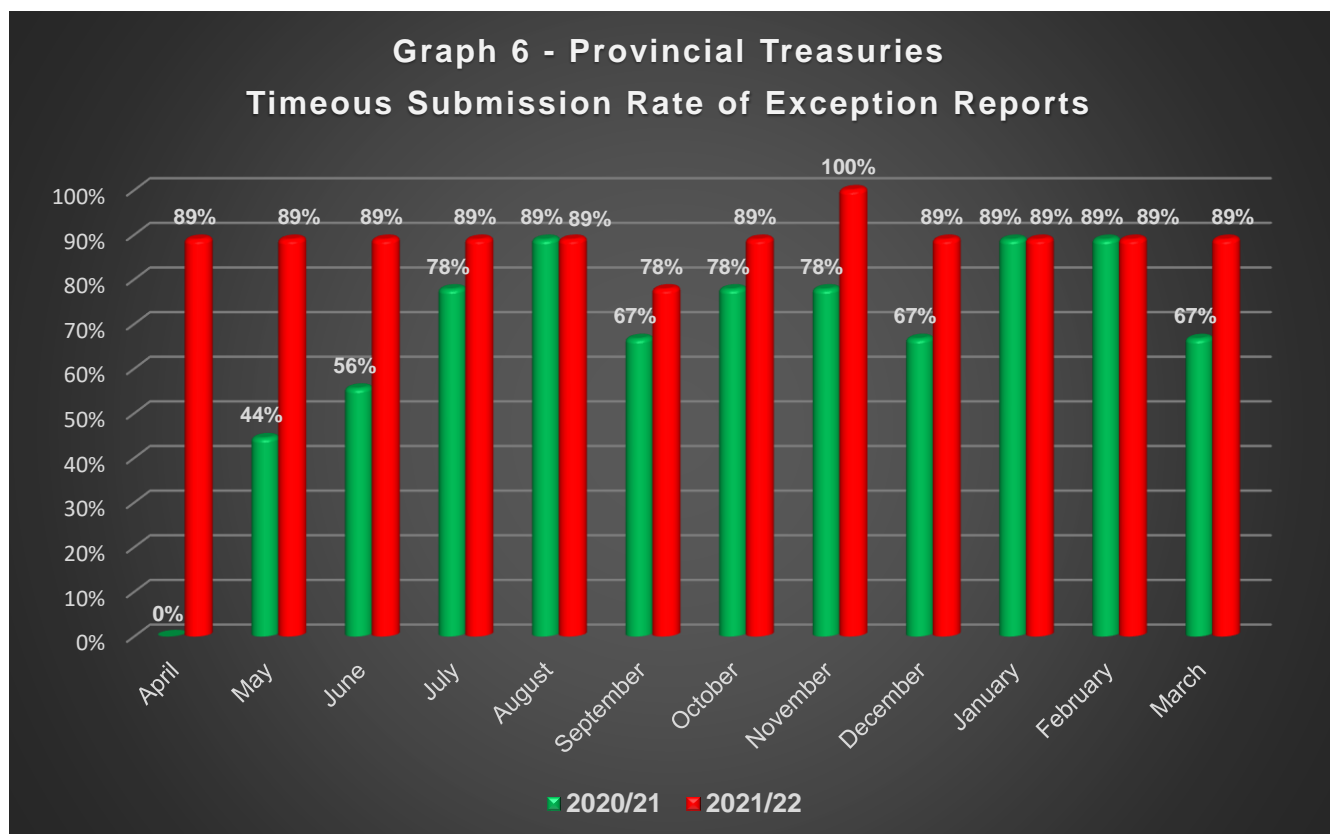
4.1 Submission of the 30 days Exception Reports

Provincial treasuries are required by the National Treasury Instruction No. 34 to submit consolidated exception reports of their respective provincial departments to the National Treasury by the 15th day of each month with information from the preceding month. This annual report is developed based on the consolidated information submitted by provincial treasuries during the 2021/2022 financial year.

All provincial treasuries submitted their consolidated 30 days exception reports in respect of provincial departments to the National Treasury as required by the legislation, showing an annual average submission rate of 100% which indicates an improvement of 1% when compared to the annual average submission rate of 99% recorded in the 2020/2021 financial year.

Graph 6 below provides a month-to-month comparative analysis of the provincial **timeous submission rate of exception reports** to the National Treasury for the 2021/2022 and 2020/2021 financial years.

Graph 6 – Timeous Submission Rate of Exception Reports



Graph 6 above illustrate that provincial treasuries achieved an annual average timeous submission rate of 89% during the 2021/2022 financial year, and this represents an **improvement** of 22% when compared to the annual average timeous submission rate of 67% achieved by provincial treasuries in the 2020/2021 financial year.

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Table 6 below provides information related to the performance of provincial treasuries on the submission of consolidated 30 days exception reports to the National Treasury during the 2021/2022 financial year.

Table 6 – Provincial Performance on the Submission of Exception Reports

Provincial Treasuries					
Table 6: Performance on the Submission of Consolidated Exception Reports in the 2021/2022 Financial Year					
	Province	Exception Reports Submitted		Exception Reports Submitted Timeously	
		Number	Annual %	Number	Annual %
1	Eastern Cape	12	100%	12	100%
2	Free State	12	100%	12	100%
3	Gauteng	12	100%	12	100%
4	Kwazulu-Natal	12	100%	12	100%
5	Limpopo	12	100%	11	92%
6	Northern Cape	12	100%	11	92%
7	Western Cape	12	100%	11	92%
8	North-West	12	100%	10	83%
9	Mpumalanga	12	100%	5	42%

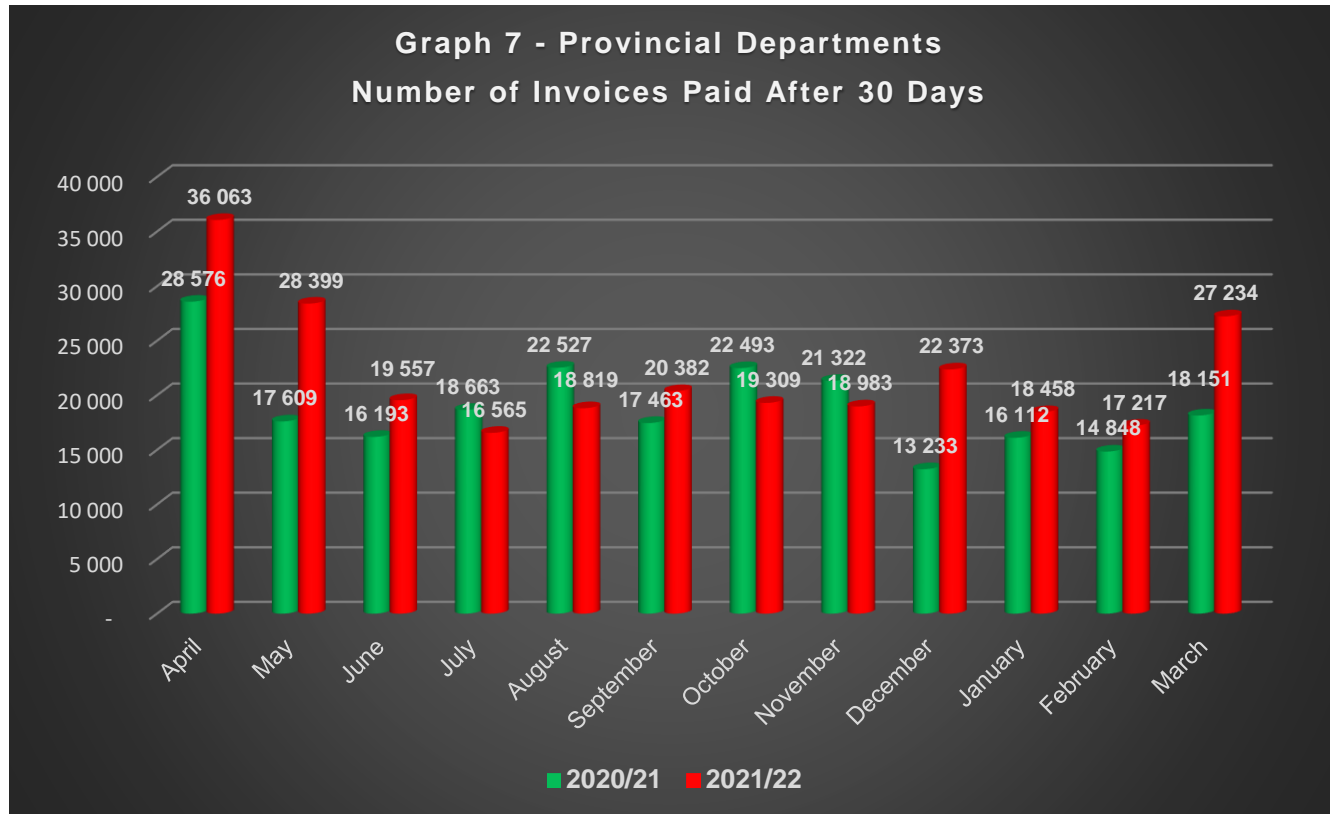
Table 6 above illustrates that all provincial treasuries submitted their consolidated exception reports to the National Treasury during the 2021/2022 financial year, however, only four (4) or 33% of provincial treasuries submitted all their consolidated exception reports timeously as required by the legislation for the 2021/2022 financial year, with those provinces being the Eastern Cape, Free State, Gauteng, and KwaZulu-Natal provincial treasuries.

The table above further indicates that Limpopo, Northern Cape, and Western Cape provincial treasuries managed to achieve a 92% timeous submission rate, with North-West provincial treasury achieving 83% timeous submission rate and Mpumalanga provincial treasury achieved 42% timeous submission rate during the same period.

4.2 Number of Invoices Paid After 30 Days

Graph 7 below provides a month-to-month comparative analysis of the **number of invoices paid after 30 days** during the 2021/2022 financial year when compared to the 2020/2021 financial year.

Graph 7 – Number of Invoices Paid After 30 Days



Graph 7 above illustrate a month-to-month comparative analysis of the **number of invoices paid after 30 days** by provincial departments during the 2021/2022 financial year when compared to the number of invoices paid after 30 days in the 2020/2021 financial year.

The total number of invoices paid after 30 days by provincial departments in the 2021/2022 financial year amounted to 263 359 invoices, and this represents **a regression** of 36 169 invoices or 16% when compared to the total number of invoices paid after 30 days by the provincial departments in the 2020/2021 financial year which amounted to 227 190 invoices.

The annual average number of invoices paid after 30 days by the provincial departments during the 2021/2022 financial year amounted to 21 947 invoices, and this represents **a regression** of 3 014 invoices or 16% when compared to the annual average number of invoices paid after 30 days by provincial departments during the 2020/2021 financial year which amounted to 18 933 invoices.

There is a noticeable trend that the number of invoices paid after 30 days by provincial departments is always at the highest towards the end of the financial year, that is in March and the beginning of the financial year, that is in April and May.

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Table 7 below provides information related to the performance of provinces regarding the number and Rand value of invoices paid after 30 days during the 2021/2022 financial year.

Table 7 – Provincial Performance on the Number of Invoices Paid After 30 Days

Provincial Departments				
Table 7: Performance on the Number and Rand Value of Invoices Paid After 30 Days in the 2021/2022 Financial Year				
	Province	Number of Invoices	Rand Value	%
1	Western Cape	1,982	R 287,350,901	1%
2	Mpumalanga	2,664	R 860,528,035	1%
3	Limpopo	4,758	R 594,053,823	2%
4	Free State	6,493	R 1,350,930,117	2%
5	Northern Cape	7,015	R 727,227,452	3%
6	Kwazulu-Natal	31,869	R 7,352,983,131	12%
7	North-West	54,453	R 3,352,948,182	21%
8	Eastern Cape	61,410	R 4,472,098,038	23%
9	Gauteng	92,715	R 9,956,428,315	35%
Totals		263,359	R 28,954,547,994	100%

Table 7 above illustrates the performance of provincial departments regarding the number of invoices paid after 30 days during the 2021/2022 financial year. The total number of invoices paid after 30 days by provincial departments in the 2021/2022 financial year amounted to 263 359 invoices to the Rand value of R 29 billion.

Gauteng provincial departments contributed 35% of the total number and rand value of invoices paid after 30 days which is the highest in the 2021/2022 financial year which amounted to 92 715 invoices to the Rand value of R 9.9 billion. This is followed by the Eastern Cape province which reported the second-highest number of invoices paid after 30 days which amounted to 61 410 invoices or 23% to the Rand value of R 4.5 billion.

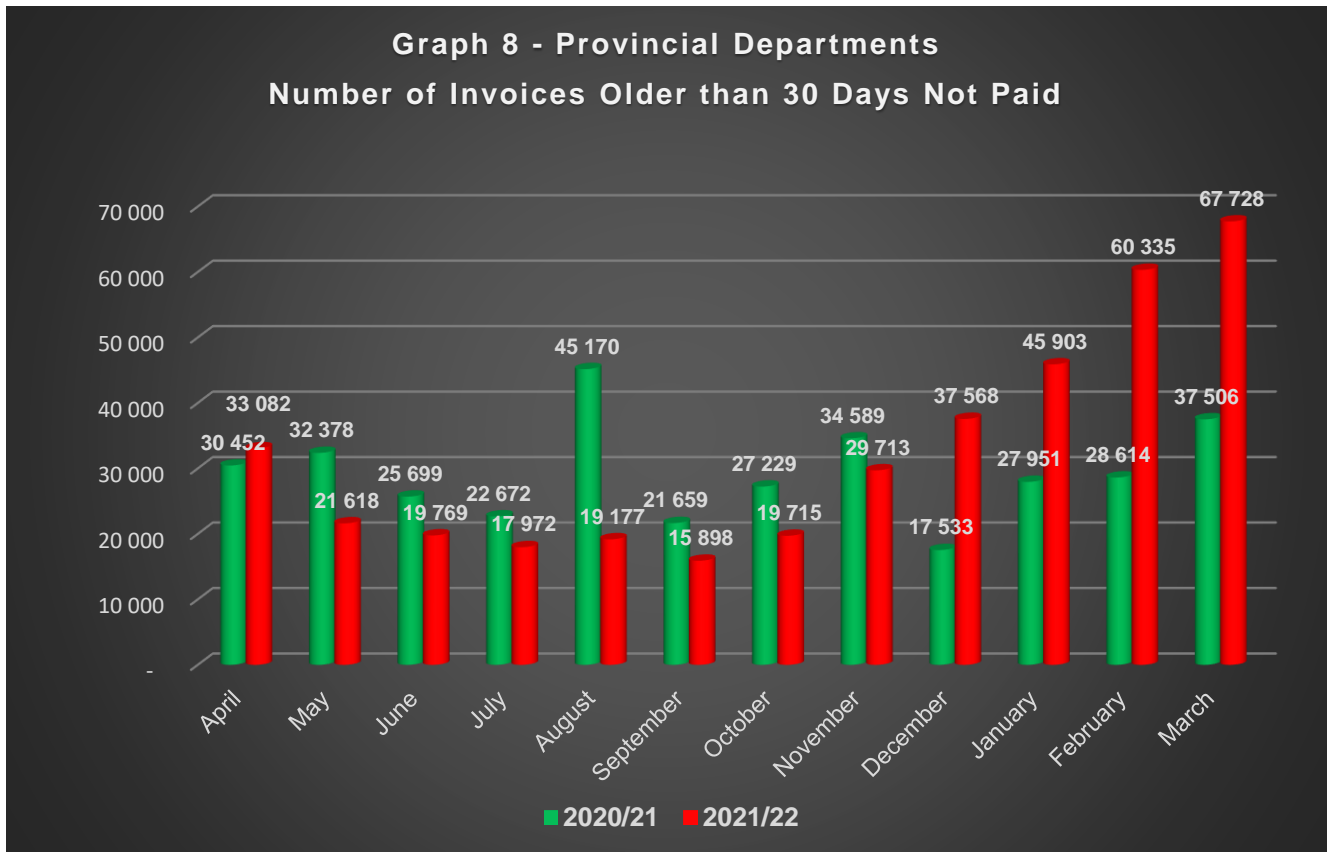
North-West provincial departments reported the third-highest number of invoices paid after 30 days which amounted to 54 453 invoices or 21% to the Rand value of R 3.4 billion, and this is followed by KwaZulu-Natal province which reported 31 869 invoices or 12% to the Rand value R7.4 billion.

Western Cape provincial departments reported the lowest number and Rand value of invoices paid after 30 days which amounted to 1 982 invoices to the Rand value of R 287 million during the 2021/2022 financial year, and this was followed by Mpumalanga province which reported 2 664 invoices to the Rand value of R 861 million during the same period.

4.3 Number of Invoices Older than 30 Days and Not paid

Graph 8 below provides a month-to-month comparative analysis of the **number of invoices older than 30 days and not paid** at the end of the 2021/2022 financial year when compared with the 2020/2021 financial year.

Graph 8 – Number of Invoices Older than 30 Days and not Paid



Graph 8 above illustrate a month-to-month comparative analysis of the **number of invoices older than 30 days and not paid** by provincial departments at the end of the 2021/2022 financial year when compared to the number of invoices paid after 30 days at the end of the 2020/2021 financial year.

The total number of invoices paid after 30 days by provincial departments at the end of the 2021/2022 financial year amounted to 67 728 invoices, and this represents **a regression** of 30 222 invoices or 81% when compared to the total number of invoices older than 30 days and not paid by the provincial departments at the end of 2020/2021 financial year which amounted to 37 506 invoices.

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Table 8 below provides information related to the performance of provinces regarding the number and Rand value of invoices older than 30 days and not paid at the end of the 2021/2022 financial year.

Table 8 – Provincial Performance on the Number of Invoices Older than 30 Days and Not Paid

Provincial Departments				
Table 8: Performance on the Number and Rand Value of Invoices Older than 30 Days and not paid at the end of the 2021/2022 Financial Year				
	Province	Number of Invoices	Rand Value	%
1	Western Cape	-	-	0%
2	Limpopo	22	R 4 359 615	0%
3	Mpumalanga	28	R 7 486 834	0%
4	Free State	893	R 72 325 663	1%
5	Kwazulu-Natal	1 256	R 531 920 589	2%
6	North-West	7 137	R 609 939 216	11%
7	Northern Cape	8 498	R 153 601 137	13%
8	Gauteng	15 309	R 1 707 788 568	23%
9	Eastern Cape	34 585	R 3 057 690 718	51%
Total		67 728	R 6 145 112 339	100%

Table 8 above illustrates the performance of provincial departments regarding the number of invoices older than 30 days and not paid at the end of the 2021/2022 financial year. The total number of invoices older than 30 days and not paid by provincial departments at the end of the 2021/2022 financial year amounted to 67 728 invoices to the Rand value of R 6.1 billion.

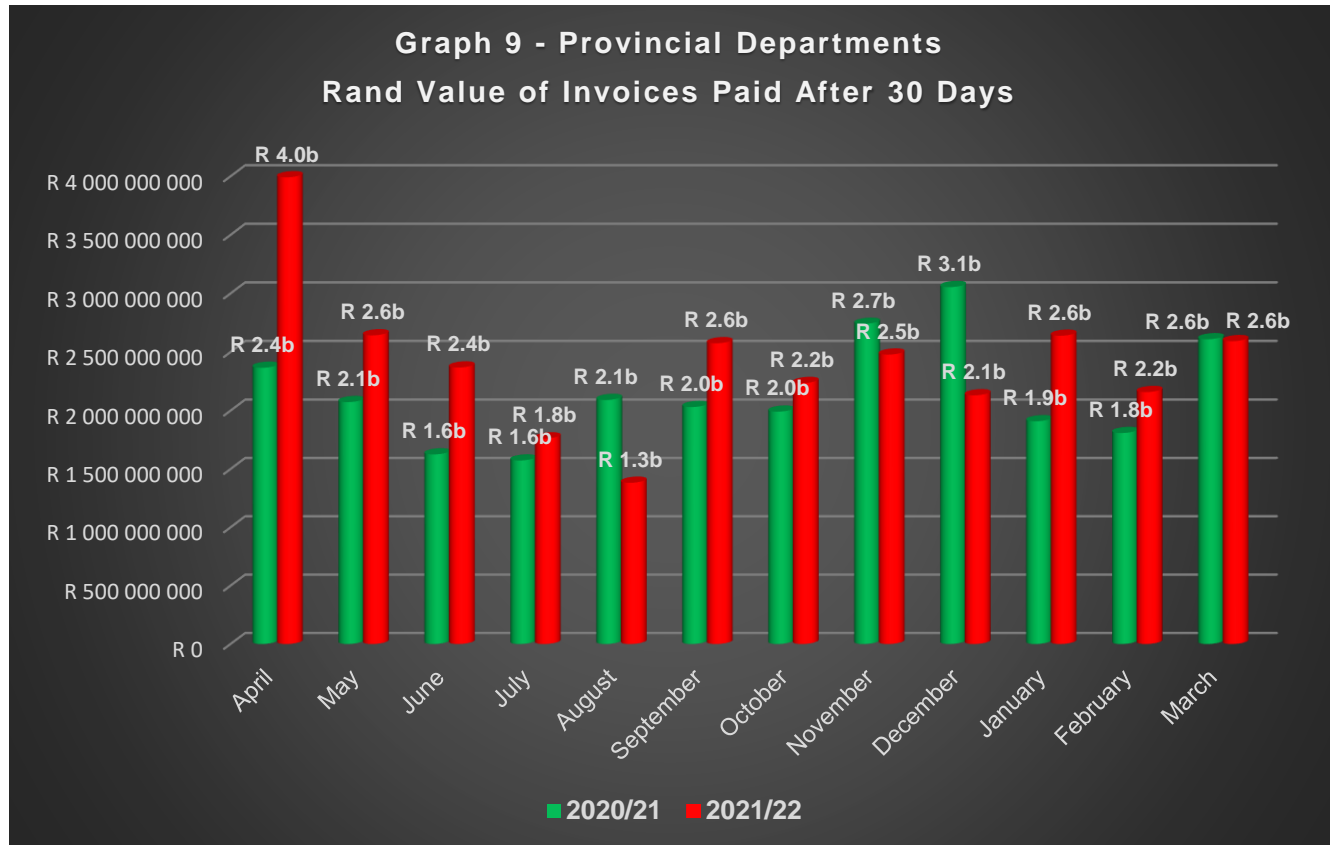
Western Cape provincial departments did not report any outstanding invoices which were older than 30 days at the end of the 2021/2022 financial year. Limpopo provincial departments reported the lowest number of invoices older than 30 days and not paid at the end of the 2021/2022 financial year which amounted to 22 invoices to the Rand value of R 4.4 million, and this was followed by Mpumalanga province which reported 28 invoices to the Rand value of R 7.5 million during the same period.

Eastern Cape provincial departments reported the highest number and Rand value of invoices older than 30 days and not paid which amounted to 34 585 invoices or 51% to the Rand value of R 3.1 billion, and this was followed by the Gauteng provincial departments which reported the second-highest number and Rand value of invoices older than 30 days and not paid which amounted to 15 309 invoices or 26% to the Rand value of R 1.8 billion during the same period.

4.4 Rand Value of Invoices Paid After 30 Days

Graph 9 below provides a month-to-month comparative figure of the **Rand value of invoices paid after 30 days** during the 2021/2022 financial year when compared with the 2020/2021 financial year.

Graph 9 – Rand Value of Invoices Paid after 30 Days



Graph 9 above illustrate a month-to-month comparative analysis of the **number of invoices paid after 30 days** by provincial departments during the 2021/2022 financial year when compared to the number of invoices paid after 30 days in the 2020/2021 financial year.

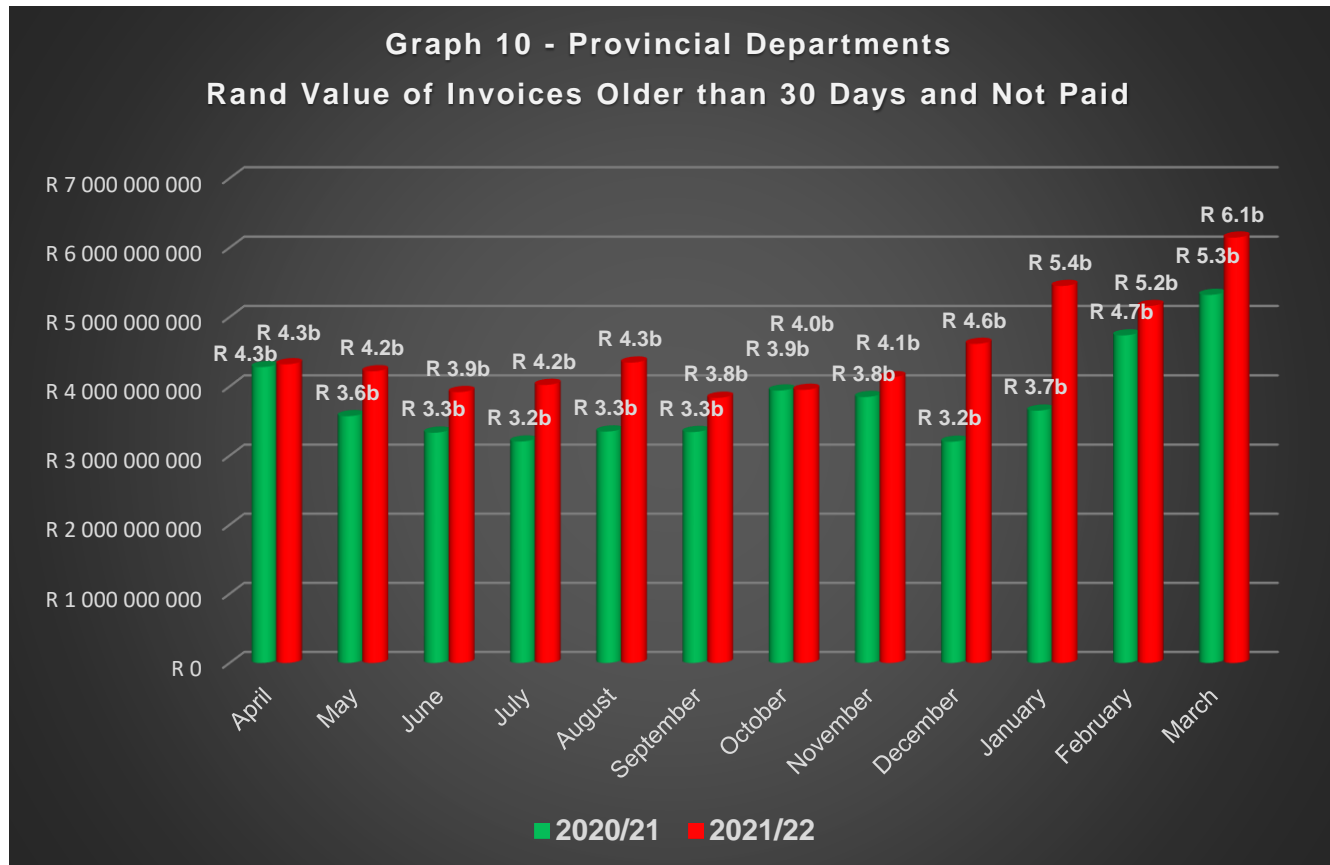
The total Rand value of invoices paid after 30 days by provincial departments in the 2021/2022 financial year amounted to R 29 billion, and this represents **a regression** of R 3.0 billion or 12% when compared to the total Rand value of invoices paid after 30 by the provincial departments in the 2020/2021 financial year which amounted to R 26 billion.

The annual average Rand value of invoices paid after 30 days by the provincial departments during the 2021/2022 financial year amounted to R 2.4 billion, and this represents **a regression** of R 200 million or 9% when compared to the annual average Rand value of invoices paid after 30 days by provincial departments during the 2020/2021 financial year which amounted to R 2.2 billion.

4.5 Rand Value of Invoices Older Than 30 Days and Not Paid

Graph 10 below provides a month-to-month comparative figure of the **Rand value of invoices older than 30 days and not paid** at the end of the 2021/2022 financial year when compared with the 2020/2021 financial year.

Graph 10 – Rand Value of Invoices Older than 30 Days and not Paid



Graph 10 above illustrates a month-to-month comparative analysis of the **Rand value of invoices older than 30 days and not paid** by provincial departments at the end of the 2021/2022 financial year when compared to the Rand value of invoices older than 30 days and not paid at the end of 2020/2021 financial year.

The total Rand value of invoices older than 30 days and not paid by provincial departments at the end of the 2021/2022 financial year amounted to R 6.1 billion, and this represents **a regression** of R 800 million or 15% when compared to the total Rand value of invoices older than 30 and not paid by the provincial departments at the end of the 2020/2021 financial year which amounted to R 5.3 billion.

The enclosed **Annexure B** provides consolidated information on the number and Rand value of invoices paid after 30 days and the number and Rand value of invoices older than 30 days and not paid by the provincial departments during the 2021/2022 financial year.

5. Common Reasons for the Late and/or Non-Payment of Invoices

Table 9 below represents common reasons provided by national and provincial departments for the late and/or non-payment of invoices during the 2021/2022 financial year.

Table 9 – Common Reasons Provided

Table 9: Common Reasons for the Late and/or Non-Payment of Invoices		
Reasons Provided	Root Causes Identified	Recommendations to Remedy Causes of the Late and/or Non-Payment
Misfiled, misplaced or unrecorded invoices.	<p>Lack of internal controls measures to track invoices from a receipt to a payment point.</p> <p>Lack of capturing invoices as they are received</p>	<ul style="list-style-type: none"> • Develop and implement internal controls to track invoices from the date of receipt to the date of payment. • Ensure that there is sufficient capacity to record all invoices received and track any outstanding payments timeously. • Take disciplinary actions against officials who undermine internal controls and commit fruitless and wasteful expenditures such as interest on late payments.
Inadequate budget and/or cash flow management problems.	<p>Poor budgeting and lack of alignment between the budget and procurement plans.</p>	<ul style="list-style-type: none"> • Departments should monitor their spending against budget regularly or monthly to ensure that expenditures remain within budget allocations. • Departments should limit their spending to the availability of budgeted funds and annual procurement plans, and no procurement should be processed without confirming the availability of funds. • Departments should avoid committing funds where budgets are not available.
Inadequate internal capacity.	<p>Lack of human capacity within the departments.</p>	<ul style="list-style-type: none"> • Departments should fast-track recruitment processes and not leave critical positions vacant for lengthy periods. • Vacancy rates in Finance Divisions should not exceed 5% at any given time. • Skilled and competent staff should be appointed to address the internal control system deficiencies, such as invoice tracking system, tracking of goods delivered or services rendered against correct orders and ensuring that the quantity and quality of goods and services to be received and received are in line

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Table 9: Common Reasons for the Late and/or Non-Payment of Invoices

Reasons Provided	Root Causes Identified	Recommendations to Remedy Causes of the Late and/or Non-Payment
		with ordered goods/services and ensure that payment of supplier's invoices is made timeously.
IT system issues (BAS, Logis and SafetyWeb, etc.).	Slow systems and generation of system errors.	<ul style="list-style-type: none"> • Departments should initiate payment processes on time to avoid late payments when there are problems with systems. • Departments should regularly and timeously report repeated system errors to the Chief Directorate at National Treasury responsible for financial systems.
Standard Chart of Account (SCoA) related system problems.	Changes in the coding of items used for classification, budgeting, and recording of revenue and expenditure within the accounting system to facilitate the recording of all transactions affecting assets and liabilities.	<ul style="list-style-type: none"> • System users should attend training sessions provided by National Treasury on SCoA changes and proactively implement the relevant changes to avoid problems with codes when they become effective. • Employees must also refer to the circulars and guidelines provided by National Treasury and/or consult the National Treasury for any clarity on any issued directives.
Unresolved invoice discrepancies	Suppliers submitting incorrect and/ or invalid invoices	<ul style="list-style-type: none"> • Invoices should be verified for correctness when received from suppliers before they are accepted, recorded and processed for payment. • Incorrect/ invalid invoices should be returned to suppliers immediately for rectification of any discrepancies. • Suppliers should timeously be made aware of invoices not accepted, recorded and processed for payment due to discrepancies noted (for resubmission of correct invoices). • Disputed or invalid invoices should not be included in the exception reports submitted to the National Treasury as they distort the accuracy of information.
Incomplete supporting documents.	Incomplete invoices and lack of understanding of how invoices should be complete and require supporting documentation.	<ul style="list-style-type: none"> • Departments should provide checklists of supporting information required to be submitted with supplier's invoices for completeness purposes.

Table 9 above provides common reasons provided by national and provincial departments for the late and/or non-payment of invoices during the 2021/2022 financial year with corresponding identified root causes and measures to address the root causes for late and/or non-payment of invoices.

The common reasons provided by national and provincial departments include reasons such as unrecorded invoices, inadequate budget and/or cash flow management, inadequate internal capacity, financial system challenges, budget classifications and allocations, disputed invoices, and incomplete supporting documents.

National and provincial departments are therefore urged to address the root causes identified by implementing recommended measures to address identified root causes for late and/or non-payment of invoices and consider the recommendations provided to ensure improvement in compliance with the requirement to pay supplier's invoices within the prescribed period of 30 days.

6. National Treasury Initiatives

During the 2021/2022 financial year, the National Treasury continued to monitor, address, and respond to the non-payment of invoices queries received from various suppliers through the central email address established to receive non-payment queries from suppliers.

The National Treasury assists suppliers by following up with transgressing institutions on those reported late and/or non-payment of invoices and provides feedback to the supplier on the reasons for the delay, the date when payment will be made, and transgressing institutions are required to provide proof of payment to ensure completeness.

All queries on non-payment of invoices received that are related to provincial departments are escalated to the relevant Provincial Accountants-General (PAG) to elevate the matter to the respective Chief Financial Officer in provincial departments. The Office of the Accountant-General acts as an intermediary between these departments and suppliers.

Furthermore, non-payment queries received related to Municipalities are forwarded to the Chief Directorate responsible for the monitoring of the implementation of the Municipal Finance Management Act (MFMA) for escalation to the relevant Chief Financial Officers at the Municipal level.

7. Conclusion

There is a noticeable improvement in the submission of exception reports by national and provincial departments based on the analysis of the 30 days exception reports received from national and provincial treasuries during the 2021/2022 financial year as all national departments submitted their exception reports to the National Treasury, and all provincial treasuries submitted the consolidated exception reports their respective provincial departments to the National Treasury as required by the National Treasury Instruction number 34 of 2011.

The analysis further indicated that provincial departments are responsible for the majority of late and non-payment of invoices during the 2021/2022 financial year as provincial departments contributed 263 359 invoices of 66% of the total number of invoices paid after 30 days by national and provincial departments which amounted to 401 691 invoices. The total number of invoices older than 30 days and not paid by national and provincial departments amounted to 67 862 invoices with provincial departments contributing 67 728 invoices or 100% in the 2021/22 financial year.

The analysis also revealed that there is a regression in the number and Rand value of invoices paid after 30 days by national departments during the 2021/2022 financial year. There was an improvement in the number and Rand value of invoices older than 30 days and not paid by national departments during the 2021/2022 financial year. At the national level, the department of Defence recorded the highest number of invoices paid after 30 days in the 2021/2022 financial year, and the Public Works and Infrastructure recorded the second-highest number of invoices paid after 30 days.

The analysis further indicated that there was a regression in the number and Rand value of invoices paid after 30 days by provincial departments during the 2021/2022 financial year. There was also a regression in the number and Rand value of invoices older than 30 days and not paid by provincial departments during the 2021/2022 financial year.

Gauteng provincial departments reported the highest number and Rand value of invoices paid after 30 days in the 2021/2022 financial year which was followed by the Eastern Cape province which reported the second-highest number of invoices paid after 30 days during the same period. Western Cape provincial departments reported the lowest number and Rand value of invoices paid after 30 days followed by Mpumalanga province which reported the second-lowest number and Rand value of invoices paid after 30 days during the same period.

Eastern Cape provincial departments reported the highest number and Rand value of invoices older than 30 days and not paid during the 2021/2022 financial year which was followed by the Gauteng provincial departments which reported the second-highest number and Rand value of invoices older than 30 days and not paid during the same period. Western Cape provincial departments did not report any outstanding invoices as at the end of the 2021/2022 financial year. Limpopo and Mpumalanga provinces reported the lowest number of invoices older than 30 days and not paid during the same period.

8. Recommendations

After analysing the 30 days exception reports received from the national and provincial treasuries during the 2021/2022 financial year, the National Treasury recommends the stakeholders note the following:

- The impact of the late or non-payment of invoices has on the sustainability of the SMMEs in contributing to unemployment, job creation and inequality issues;
- The initiatives are taken by the National Treasury and other relevant stakeholders to continually increase efforts to improve the level of compliance with the requirements to pay invoices within 30 days by national and provincial departments;
- Regression in both the number and Rand value of invoices paid after 30 days and the number of by the national and provincial departments;
- Regression in both the number and Rand value of invoices older than 30 days and not paid by the provincial departments;
- Improvement in both the number and Rand value of invoices older than 30 days and not paid by the national departments;
- Repeated common reasons provided by national and provincial departments for late and non-payment of invoices in the 2021/2022 financial year;
- Measures provided by the National Treasury to departments to assist in the improvement of the level of compliance with Treasury Regulation 8.2.3;
- Payment of invoices within 30 days be included in the performance agreements of accounting officers, chief financial officers and other officials working in this area;
- Disciplinary actions against officials who fail to comply with the requirements to pay invoices within 30 days and who undermine the systems of internal control be taken;
- Accounting officers take steps to ensure that the information to be submitted to the relevant treasury is duly signed off and submitted to the relevant treasury as per the timeframes stipulated in the National Treasury Instruction Note number 34;
- Accounting officers and chief financial officers to address the root causes of the late and/or non-payment of invoices to improve compliance with the requirement of Treasury Regulation 8.2.3;
- Payment of suppliers within 30 days be a standing agenda item for discussion at every EXCO meeting of Departments; and
- Accounting officers to consider recommendations provided to improve the level of compliance with the requirement to pay supplier's invoices within 30 days.

2021/22
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