



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NON-COMPLIANCE WITH PAYMENTS OF SUPPLIERS WITHIN 30 DAYS

FIRST QUARTER REPORT (APRIL 2023 – JUNE 2023)

NATIONAL TREASURY

FIRST QUARTER | 2023/2024

Table of Contents

1. Purpose	2
2. Legislative Framework	2
3. Background	3
4. Executive Summary	4
5. National Departments: Analysis of exceptions reports	6
5.1 Submission of Exception Reports	6
5.2 Invoices not paid within 30 days	6
5.3 National Departments that paid all their invoices	8
5.4 National Departments that reported unpaid invoices.....	9
6. Provincial Treasuries: Analysis of exceptions reports	10
6.1 Submission of Exception Reports	10
6.2 Invoices not paid within 30 days	10
6.3 Invoices paid after 30 days by provincial departments.....	12
6.4 Invoices older than 30 days and not paid by provincial departments.....	13
7. Common reasons provided for the late and/or non-payment of invoices	14
8. Conclusion	15

1. Purpose

The purpose of this report is to provide an update to relevant stakeholders on the status of compliance by national and provincial departments with the legislative requirements to pay supplier's invoices within 30 days during the first quarter of the 2023/2024 financial year.

2. Legislative Framework

- 2.1 In terms of section 38(1)(f) of the Public Finance Management Act (PFMA), the accounting officer for a department must settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period.
- 2.2 Treasury Regulation 8.2.3 states that "Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, the date of settlement or court judgement".
- 2.3 On 31 May 2010, the National Treasury forwarded a communiqué to all PFMA institutions urging the accounting officers and accounting authorities of these institutions to ensure that their creditor obligations are met within 30 days from receipt of an invoice. This communiqué also stressed that non-compliance with the requirement to pay invoices within 30 days can be grounds for financial misconduct.
- 2.4 The National Treasury instruction no. 34 issued in November 2011 requires accounting officers for departments to submit exception reports to the relevant treasuries by the 7th day of each month and Provincial treasuries to submit to the National Treasury by the 15th day of each month with the following information:
 - a) the number and value of invoices paid after 30 days from the date of receiving invoices;
 - b) the number and value of invoices older than 30 days and which have not been paid; and
 - c) the reasons for the late and/or non-payment of the invoices referred to in (a) and (b) above.
- 2.5 Furthermore, on 26 March 2018, the National Treasury issued a circular on the timeous payment of invoices and claims reminding institutions to pay for services and claims within the required period, and for accounting officers to monitor compliance thereof.

3. Background

- 3.1 The late and/or non-payment of invoices have a serious adverse impact on the financial health of suppliers who are often forced to borrow money to stay afloat financially as well as to continue meeting their contractual obligations with state institutions. When these institutions do not pay their suppliers timeously, it often results in these suppliers being liquidated, especially Small, Medium and Micro Enterprises (SMMEs).
- 3.2 The closing down of these SMMEs is due to the non-payment of supplier's invoices by the government and is also seen as being counterproductive to the objectives of the National Development Plan (NDP) and the National Growth Path (NGP), which are aimed at improving economic growth and reduce poverty, inequality, and unemployment.
- 3.3 On 02 December 2009, Cabinet resolved that departments must implement mechanisms to ensure that payments to creditors are effected within 30 days from the date of receiving an invoice.
- 3.4 FOSAD also resolved that the National Treasury must provide the forum with regular reports on the extent of compliance by departments with the requirement to pay invoices within 30 days, and pursuant to this resolution, since the inception of the National Treasury Instruction Note No.34, the National Treasury has been reporting to FOSAD on non-compliance with the legislative requirement of paying invoices owed by the state.

4. Executive Summary

- 4.1 All national departments submitted their 30 days exception reports to the National Treasury as required by Treasury instruction No. 34 during the first quarter of the 2023/24 financial year with an average timeous submission rate of 91%. This represents an improvement of 3% when compared with the average timeous submission rate of 88% achieved in the fourth quarter of the 2022/23 financial year.
- 4.2 All provincial treasuries submitted their exceptions reports to the National Treasury during the first quarter of the 2023/24 financial year with an average timeous submission rate of 93%, and this represents an improvement of 8% when compared with the average timeous submission rate of 85% achieved in the fourth quarter of the 2022/23 financial year.
- 4.3 Table 1 below indicates the total number and rand value of legitimate invoices that were not paid within 30 days by national and provincial departments during the first quarter of the 2023/2024 financial year:

Table 1: Summary – National and Provincial Departments

National and Provincial Departments Number and Rand value of invoices not paid within 30 days				
Quarter 1 FY2023/2024	Paid After 30 days		Older than 30 days and not paid	
	Number of invoices	Rand value of invoices	Number of invoices (as of June 2023)	Rand Value of invoices (as of June 2023)
National Departments	26 223	R 1.2 billion	1 406	R 68 million
Provincial Departments	90 935	R 9.9 billion	36 577	R 4.7 billion
Total	117 158	R 11.1 billion	37 983	R 4.8 billion

- 4.4 Table 1 above illustrates that the number of invoices paid after 30 days by the national and provincial departments during the first quarter of the 2023/24 financial year amounts to 117 158 invoices to the Rand value of R 11.1 billion. This represents a regression of 12% when compared with the number of invoices paid after 30 days by the national and provincial departments during the first quarter of the 2022/23 financial year which amounted to 104 937 invoices to the Rand value of R 8.6 billion.

- 4.5 The number of invoices older than 30 days and not paid by national and provincial departments at the end of June 2023 amounts to 37 577 to the Rand value of R 4.4 billion. This represents a regression of 51% when compared with the number of invoices older than 30 days and not paid by the national and provincial departments during the first quarter of the 2022/23 financial year which amounted to 25 231 invoices to the Rand value of R 4.8 billion.
- 4.6 Furthermore, the table indicates that the number of invoices paid after 30 days by national departments during the first quarter of the 2023/24 financial year amounts 26 223 to the Rand value of R 1.2 billion, and the number of invoices older than 30 days and not paid by national departments at the end of June 2023 amounts to 1 406 invoices to the Rand Value of R 68 million.
- 4.7 The table further indicates that the number of invoices paid after 30 days by provincial departments during the first quarter of 2023/24 financial year amounts 90 935 invoices to the Rand value of R 9.9 billion, and the number of invoices older than 30 days and not paid by provincial departments at the end of June 2023 amounts to 36 573 invoices to the Rand value of R 4.7 billion.
- 4.8 The main contributing departments towards the late and/or non-payment of invoices at the national level are the departments of Home Affairs, Correctional Services, Defence, Military Veterans, Police, Agriculture, Land Reform and Rural Development, Transport, Water and Sanitation (including Trading Account), Public Works and Infrastructure (Trading Account), Health, and Tourism.
- 4.9 The main contributing departments towards the late and/or non-payment of invoices at the provincial level are the Eastern provincial departments, Gauteng provincial departments, KwaZulu-Natal provincial departments, North-West provincial departments, Northern Cape provincial departments, and the Free State provincial departments.
- 4.10 The most common reasons provided by both the national and provincial departments for the late and/or non-payment of invoices are interruptions caused by poor internal controls, internal capacity, and budget constraints.

National Departments

5. National Departments: Analysis of exceptions reports

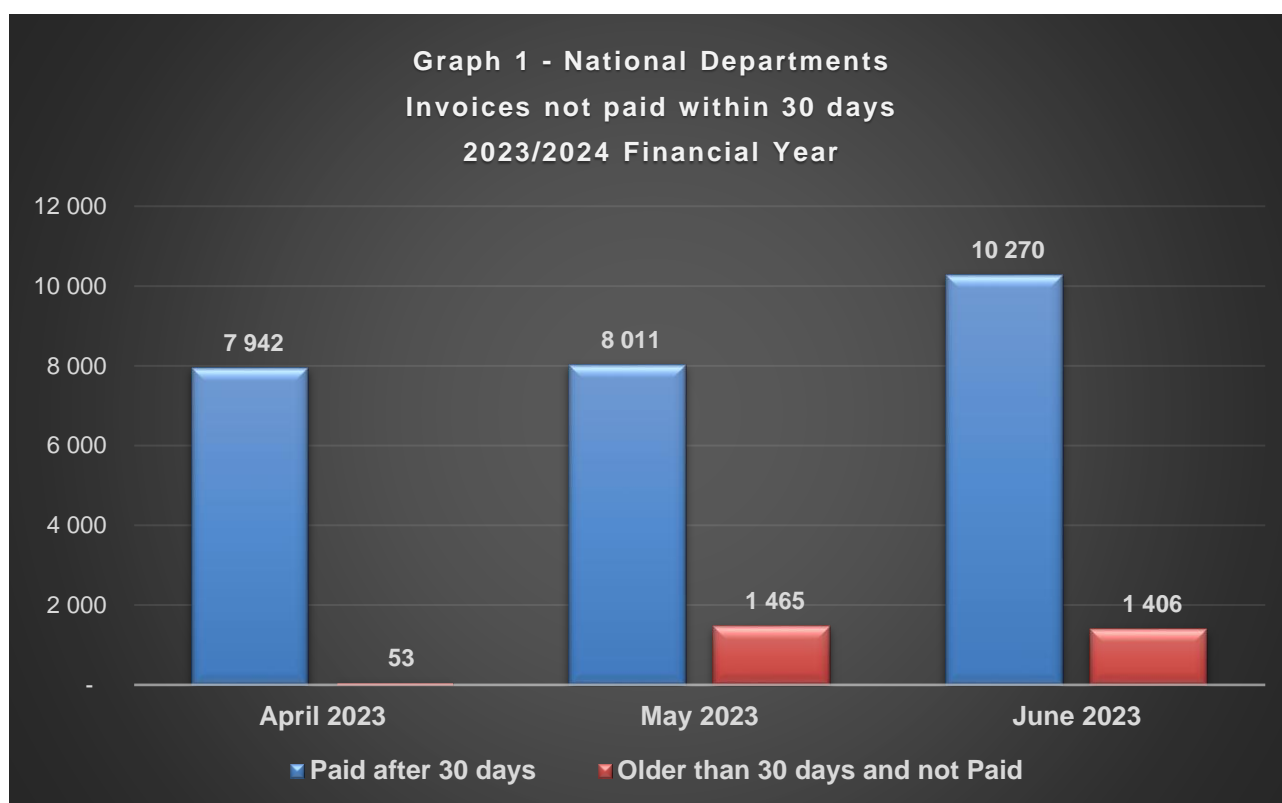
5.1 Submission of Exception Reports

All national departments submitted their 30 days exception reports to the National Treasury as required by Instruction Note No. 34 during the first quarter of the 2023/24 financial year with an average timeous submission rate of 91%. This represents an improvement of 3% when compared with the average timeous submission rate of 88% achieved in the fourth quarter of the 2022/23 financial year.

5.2 Invoices not paid within 30 days

Graph 1 below illustrate the number of invoices not paid within 30 days by national departments during the first quarter of the 2023/24 financial year.

Graph 1: National Departments – Number of Invoices not paid within 30 Days

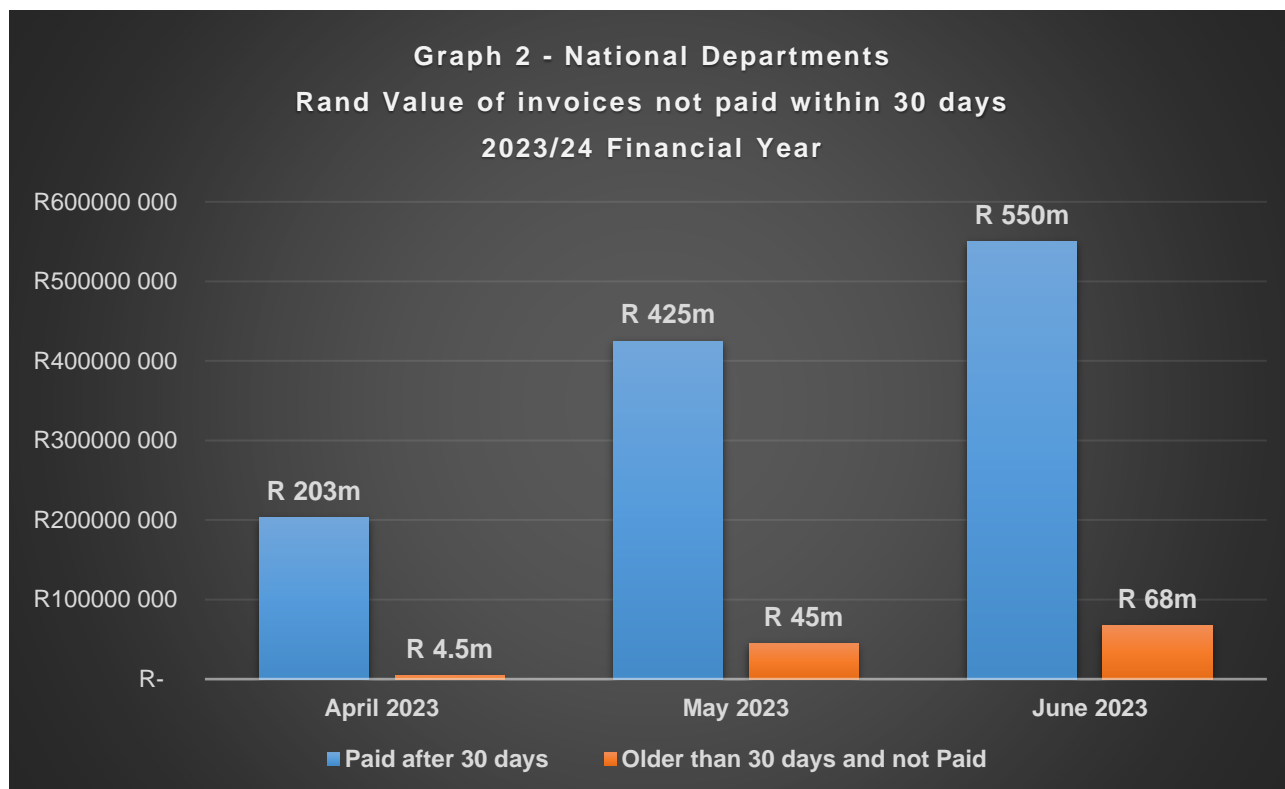


Graph 1 above illustrates a monthly comparison of the number of invoices not paid within 30 days by national departments during the first quarter of the 2023/24 financial year. The number of invoices paid after 30 days during the first quarter of the 2023/2024 financial year amounted to 26 223 invoices, and this indicates an improvement of 11% or 3 237 invoices when compared to the number of invoices paid after 30 days during the first quarter of the 2022/23 financial year which amounted to 29 460 invoices.

The number of invoices older than 30 days and not paid by national departments at the end of June 2023 amounted to 1 406 invoices, and this indicates a regression of 42% or 417 invoices when compared to the number of invoices older than 30 days and not paid at the end of June 2022 which amounted to 989 invoices.

Graph 2 below illustrates the **Rand value of invoices not paid within 30 days** by national departments during the first quarter of the 2023/2024 financial year.

Graph 2: National Departments – Rand Value of Invoices not paid within 30 Days



Graph 2 above illustrates a monthly comparison of the Rand value of invoices not paid within 30 days by national departments during the first quarter of the 2023/2024 financial year. The Rand value of invoices paid after 30 days in the first quarter of the 2023/2024 financial year amounted to R 1.2 billion, and this indicates a regression of 126% when compared to the Rand value of invoices paid after 30 days in the first quarter of 2022/2023 financial year which amounted to R 530 million.

The Rand value of invoices older than 30 days and not paid by national departments at the end of June 2023 amounted to R 68 million, and this indicates a regression of 386% when compared to the Rand value of invoices older than 30 days and not paid at the end of June 2022 which amounted to R 14 million.

5.3 National Departments that paid all their invoices

Table 2 below indicates national departments that paid all their invoices within 30 days during the first quarter of the 2023/2024 financial year:

Table 2: National Departments that paid invoices within 30 days

National Departments Departments that paid invoices within 30 days in the first quarter of the 2023/2024 financial year	
Basic Education	Public Service and Administration
Communications and Digital Technologies	Public Service Commission
Cooperative Governance	Small Business Development
Higher Education and Training	Sports, Arts and Culture
Human Settlements	Trade, Industry and Competition
Mineral Resources and Energy	Traditional Affairs
National School of Government	Women, Youth and Persons with Disabilities
Planning, Monitoring and Evaluation	

Table 2 above illustrates the national departments that paid all legitimate invoices within 30 days and these departments had no outstanding or unpaid invoices at the end of the first quarter of the 2023/2024 financial year. These national departments are encouraged to maintain this performance and pay all legitimate invoices from suppliers timeously or within 30 days as required by the PFMA and its related prescripts.

5.4 National Departments that reported unpaid invoices

Table 3 below indicates national departments that reported unpaid invoices at the end of the first quarter of the 2023/2024 financial year.

Table 3: National Departments that reported unpaid invoices

National departments		
Departments that reported invoices older than 30 days and not paid at the end of June 2023		
Department	Unpaid Invoices	Rand Value of Unpaid Invoices
1. Health	690	R 40 million
2. Water and Sanitation (Trading Account)	657	R 2.7 million
3. Public Works and Infrastructure (Trading Account)	36	R 22 million
4. Home Affairs	10	R 25 268
5. Agriculture, Land Reform and Rural Development	7	R 1.8 million
6. Tourism	6	R 20 094

Table 4 above illustrates national departments that reported the number and Rand value of invoices older than 30 days and not paid at the end of June 2023. The department of Health reported 690 invoices to the Rand Value of R 40 million. The Department of Water and Sanitation (Trading account) reported 657 invoices to the Rand Value of R 2.7 million.

In addition, the Public Works and Infrastructure (Trading Account) reported 36 invoices to the Rand value of R 22 million, and the Department of Home Affairs reported 10 invoices to the Rand Value of R 25 268.

Furthermore, the Department of Agriculture, Land Reform and Rural Development reported 7 invoices to the Rand value of R 1.8 million, and the Department of Tourism reported the least number of invoices older than 30 days and not paid which amounted to six (6) invoice to the Rand value of R 20 094.

Provincial Departments

6. Provincial Treasuries: Analysis of exceptions reports

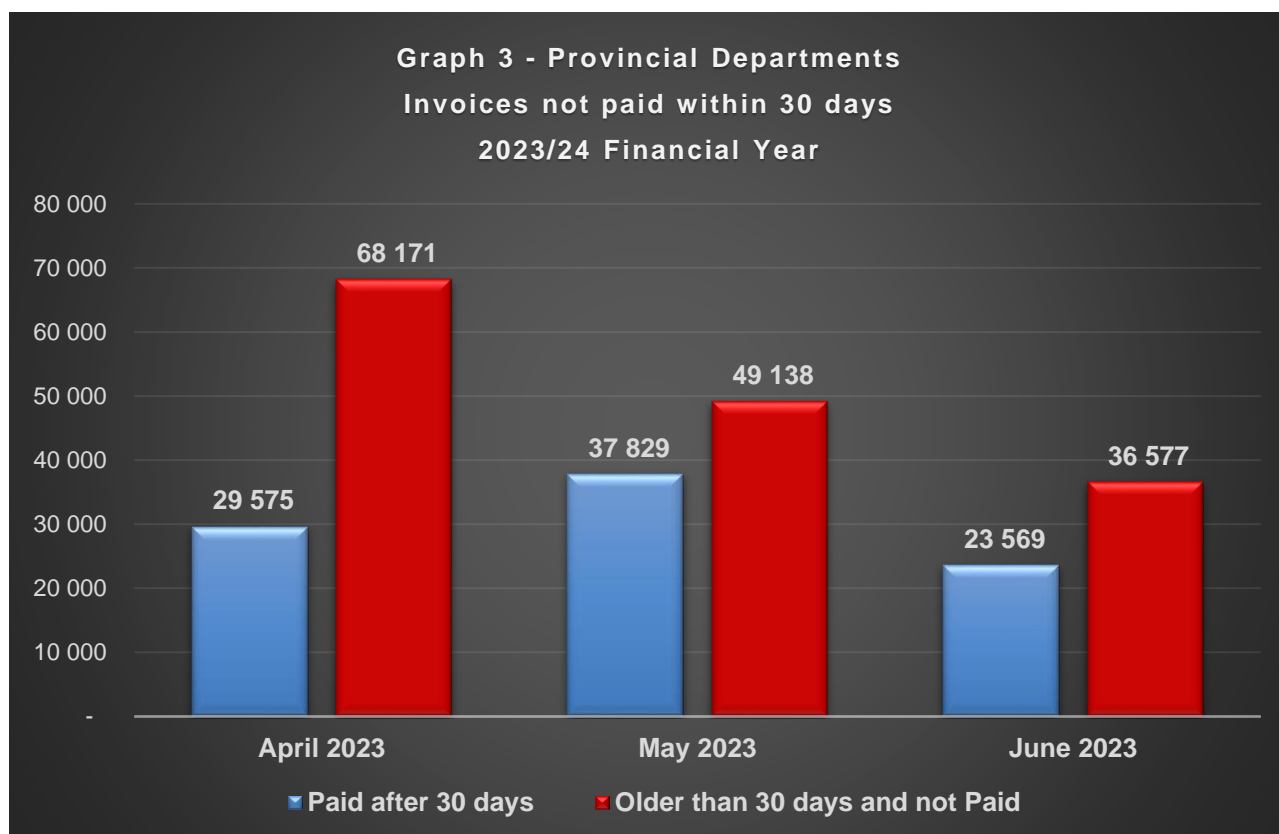
6.1 Submission of Exception Reports

All provincial treasuries submitted exceptions reports to the National Treasury during the first quarter of the 2023/2024 financial year with an average timeous submission rate of 93%, and this represents an improvement of 8% when compared with an average timeous submission rate of 85% achieved in the fourth quarter of the 2022/2023 financial year.

6.2 Invoices not paid within 30 days

Graph 3 below illustrate the **number of invoices not paid within 30 days** by provincial departments during the first quarter of the 2023/2024 financial year.

Graph 3: Provincial Departments – Number of Invoices not paid within 30 Days

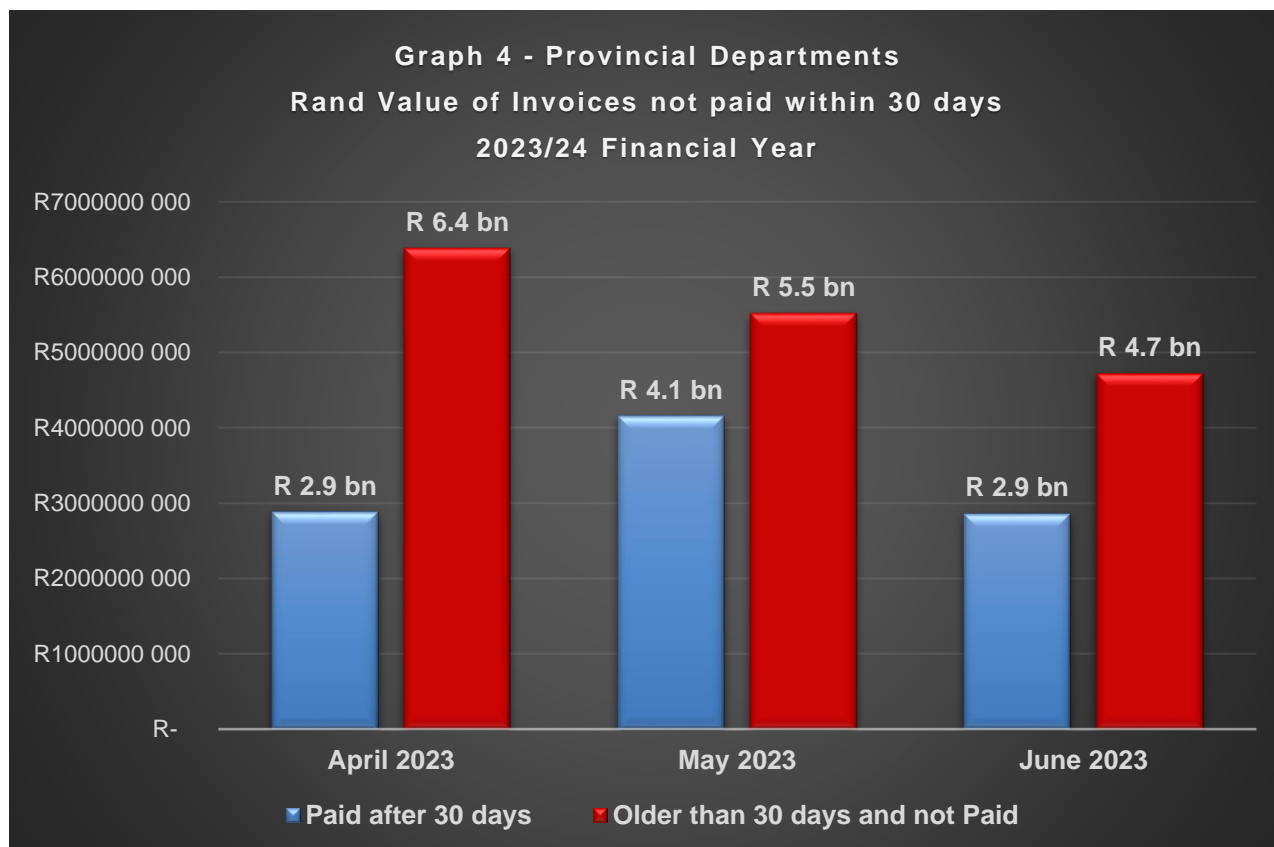


Graph 3 above illustrate a monthly comparison of the number of invoices not paid within 30 days by provincial departments during the first quarter of the 2023/2024 financial year. The number of invoices paid after 30 days during the first quarter of the 2023/2024 financial year amounted to 90 973 invoices, and this indicates a regression of 21% or 15 496 invoices when compared to the number of invoices paid after 30 days during the first quarter of 2022/2023 financial year which amounted to 75 477 invoices.

The number of invoices older than 30 days and not paid by provincial departments at the end of June 2023 amounted to 36 577 invoices, and this indicates a regression of 51% or 12 335 invoices when compared to the number of invoices older than 30 days and not paid at the end of June 2022 which amounted to 24242 invoices.

Graph 4 below illustrates the **Rand values of invoices not paid within 30 days** by provincial departments during the first quarter of the 2023/2024 financial year.

Graph 4: Provincial Departments – Rand Value of Invoices not paid within 30 Days



Graph 4 above provides a monthly comparison of the Rand value of invoices not paid within 30 days by provincial departments during the first quarter of the 2023/2024 financial year. The Rand value of invoices paid after 30 days in the first quarter of the 2023/2024 financial year amounted to R 9.9 billion, and this indicates a regression of 23% when compared to the Rand value of invoices paid after 30 days in the first quarter of 2022/2023 financial year which amounted to R 8.0 billion.

In addition, the Rand value of invoices older than 30 days and not paid by provincial departments at the end of June 2023 amounted to R 4.7 billion, and this represents an improvement of 2% when compared to the Rand value of invoices older than 30 days and not paid at the end of June 2020 which amounted to R 4.8 billion.

6.3 Invoices paid after 30 days by provincial departments

Table 5 below indicates the number and Rand value of invoices paid after 30 days by provincial departments for the first quarter of the 2023/2024 financial year:

Table 5: Provincial Departments – Invoices paid after 30 days

Provincial Departments			
Number and Rand Value of invoices paid after 30 days			
	Invoices	Rand Value	%
Limpopo	133	R 40 436 418	0%
Mpumalanga	491	R 128 980 494	1%
Western Cape	1 300	R 142 501 917	1%
Northern Cape	2 549	R 286 200 710	3%
Free State	3 841	R 695 971 466	4%
Eastern Cape	12 059	R 1 328 700 620	13%
Kwazulu-Natal	12 074	R 2 871 412 591	13%
North-West	12 988	R 879 772 730	14%
Gauteng	45 538	R 3 508 222 949	50%
Total	90 973	R 9 882 199 895	100%

Table 5 above illustrates the performance of provincial governments in terms of the number and Rand value of invoices paid after 30 days during the first quarter of the 2023/2024 financial year, and the total number of invoices paid after 30 days by provincial departments amounted to 90 973 invoices to the Rand value of R 9.9 billion.

Gauteng provincial departments reported the highest number of invoices paid after 30 days which amounted to 45 538 to the Rand value of R 3.5 billion in the first quarter of the 2023/24 financial year. North-West provincial departments reported the second highest invoices paid after 30 days, amounting to 12 988 invoices to the Rand value of R 880 million during the same period.

KwaZulu-Natal provincial departments reported 12 074 invoices paid after 30 days to the Rand value of R 2.9 billion during the first quarter of the 2023/24 financial year. Eastern Cape provincial departments reported 12 059 invoices paid after 30 days to the Rand value of R 1.3 billion during the same period.

Limpopo provincial departments reported the least number of invoices paid after 30 days which amounted to 133 invoices to the Rand value of R 40 million during the first quarter of the 2023/24 financial year. Mpumalanga reported 491 invoices paid after 30 days to the Rand value of R 129 million during the same period.

6.4 Invoices older than 30 days and not paid by provincial departments

Table 6 below indicates the number and Rand value of invoices older than 30 days and not paid by provincial departments at the end of the first quarter of the 2023/24 financial year:

Table 6: Provincial Departments – Invoices older than 30 days and not paid

Provincial Departments			
Number and Rand Value of invoices older than 30 days not paid			
	Invoices	Rand Value	%
Western Cape	-	R -	0%
Limpopo	4	R 135 890	0%
Mpumalanga	179	R 61 050 365	0%
KwaZulu-Natal	1 205	R 118 946 466	3%
Free State	1 559	R 409 679 682	4%
North-West	2 360	R 194 124 724	6%
Gauteng	2 653	R 1 064 310 904	7%
Northern Cape	2 828	R 566 513 842	8%
Eastern Cape	25 789	R 2 298 758 843	71%
Total	36 577	R 4 713 520 716	100%

Table 6 above illustrates the performance of provincial departments in terms of the number and Rand value of invoices older than 30 days and not paid at the end of the first quarter of the 2023/2024 financial year, and the total number of invoices older than 30 days and not paid by provincial departments at the end of June 2023 amounting to 36 577 invoices to the Rand value of R 4.7 billion.

Eastern Cape provincial departments reported the highest unpaid invoices amounting to 25 789 to the Rand value of R 2.3 billion at the end of June 2023. Northern Cape provincial departments reported the second highest unpaid invoices, amounting to 2 828 invoices to the Rand value of R 567 million during the same period. Mpumalanga provincial departments reported 179 unpaid invoices to the Rand value of R 61 million during the same period

Western Cape provincial departments had no unpaid invoices at the end of June 2023, and Limpopo provincial departments reported four (4) unpaid invoices to the Rand value of R 135 890 during the same period. Mpumalanga provincial departments reported 179 unpaid invoices to the Rand value of R 61 million during the same period.

7. Common reasons provided for the late and/or non-payment of invoices

The following reasons are the common reasons provided by the national and provincial departments for late and/or non-payment of invoices during the first quarter of the 2023/2024 financial year:

- a) Inadequate budgets;
- b) Disputes with suppliers on invoices received;
- c) Unresolved SCM-related queries;
- d) Late authorisation of invoices;
- e) Inadequate internal capacity;
- f) Poor internal controls; and
- g) Misfiled, misplaced or unrecorded invoices.

8. Conclusion

The analysis of the information received during the first quarter of the 2023/2024 financial year from national and provincial departments indicates that provincial departments are responsible for 78% of invoices paid after 30 days, and provincial departments are also responsible for 96% of invoices older than 30 days and not paid at the end of June 2023.

The analysis further indicated that the main contributing departments towards the late and/or non-payment of invoices at the provincial level during the first quarter of the 2023/24 financial year are the Eastern provincial departments, Gauteng provincial departments, KwaZulu-Natal provincial departments, North-West provincial departments, Northern Cape provincial departments, and the Free State provincial departments. The Health sector remain the main contributor at the provincial level.

In addition, national departments are responsible for 22% of invoices paid after 30 days during the first quarter of the 2023/24 financial year, and they are also responsible for 4% of invoices older than 30 days and not paid at the end of June 2023.

The main contributing departments towards the late and/or non-payment of invoices at the national level are the departments of Defence, Public Works, and Infrastructure (including the Property Management Trading Entity (PMTE)), Correctional Services, Police, Water and Sanitation (including Trading Account), International Relation and Cooperation, Health, and Agriculture, Land Reform and Rural Development.

The following analysis should be noted:

- a) provincial departments are responsible for the majority of late or unpaid invoices;
- b) the Health sector is the main contributor towards the late and/or non-payment of invoices at the provincial level;
- c) late and/or non-payment of invoices within 30 days continues to severely impact the sustainability of the SMMEs;
- d) budget constraints are reported to be the top reasons for late and/or non-payment of invoices in this current reporting period; and
- e) most reasons provided for late and/or non-payment of invoices relate to internal control deficiencies in departments that appear to be recurring without being addressed.