



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

## **NON-COMPLIANCE WITH PAYMENTS OF SUPPLIERS WITHIN 30 DAYS**

2<sup>nd</sup> QUARTER REPORT (JULY 2022- SEP 2022)

## Section A

### 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 second quarter of the 2022/2023 financial year.

### 2.Background

- 2.1. On 31 May 2010, the National Treasury forwarded a communiqué to all PFMA compliant 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.
- 2.2. 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.
- 2.3. 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).
- 2.4. 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.

- 2.5. On 02 December 2009, Cabinet resolved that departments must implement mechanisms to ensure that payments to creditors are affected within 30 days from the date of receiving an invoice.
- 2.6. 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.

### 3. Legislative Framework

- 3.1. **Section 38(1)(f) of the PFMA** requires accounting officers of departments to settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period.
- 3.2. **Treasury Regulation 8.2.3** provides 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.
- 3.3. **The National Treasury Instruction Note Number 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 late or non-payment of invoices referred to in (a) and (b) above.

#### **4.Executive summary**

- 4.1. All national departments submitted their 30 days exception reports to the National Treasury as required by Instruction Note No. 34 during the second quarter of the 2022/2023 financial year with an average timeous submission rate of 91%. This represents an improvement of 12% when compared with the average timeous submission rate of 79% achieved in the first quarter of the 2022/2023 financial year.
- 4.2. All provincial treasuries submitted their exceptions reports to the National Treasury during the second quarter of the 2022/2023 financial year with an average timeous submission rate of 85%. This represents an improvement of 4% when compared with the average timeous submission rate of 81% achieved in the first quarter of the 2022/2023 financial year.
- 4.3. National departments achieved an average timeous submission rate of 85% in the first half of 2022/2023 financial year. This represents an improvement of 3% when compared with the average timeous submission rate of 82% achieved in the first half of the 2021/2022 financial year.
- 4.4. Provincial treasuries achieved an average timeous submission rate of 83% in the first half of the 2022/2023 financial year. This represents a regression of 4% when compared with the average timeous submission rate of 87% achieved in the first half of the 2021/2022 financial year.
- 4.5. 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 second quarter of the 2022/2023 financial year:

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**Table 1: Summary – National and Provincial Departments**

Table 1: National and Provincial Departments				
Number and Rand value of invoices not paid within 30 days				
Quarter 2 2022/2023 Financial Year	Invoices paid after 30 days		Invoices older than 30days and not paid	
	Number of Invoices	Rand Value of Invoices	Number of invoices as at (September 2022)	Rand value of invoices as of (September 2022)
National Departmen	32 387	R1,2 billion	3 454	R92 million
Provincial Departme	51 597	R6,9 billion	27 068	R4,3 billion
<b>Total</b>	83 984	R8,1 billion	30 522	R4,4 billion

4.6. Table 1 above indicates that the number of invoices paid after 30 days by national and provincial departments during the second quarter of 2022/23 financial year amounts to 83 984 invoices to the Rand value of R 8,1 billion.

4.7. Table 1 further indicates that the number of invoices older than 30 days and not paid by the national and provincial department at end of September 2021 of the 2022/23 financial year amounts to 30 522 to the rand value of R 4,4 billion.

4.8. The table further indicates that the provincial departments contribute the highest towards the number and rand value of invoices paid after 30 days during the second quarter of 2022/23 financial year.

4.9. In the second quarter, the main contributing departments towards the late and/or non-payment of invoices at the national level are the departments of Health, Defence, Public Works, and Infrastructure (Trading Entity (PMTE), Police, correctional services and Justice and constitutional development.

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4.10. The main contributing provinces towards the late and/or non-payment of invoices at the provincial level are the Gauteng provincial government, Eastern Cape provincial government, Northwest provincial government, and Kwa-Zulu Natal provincial government.

4.11. The most common reasons provided by both the national and provincial departments for the late and/or non-payment of invoices are poor internal controls, internal capacity, budget constraints and system related issues.

## Section B

### National Departments

#### 5. Analysis of exceptions reports from National Departments

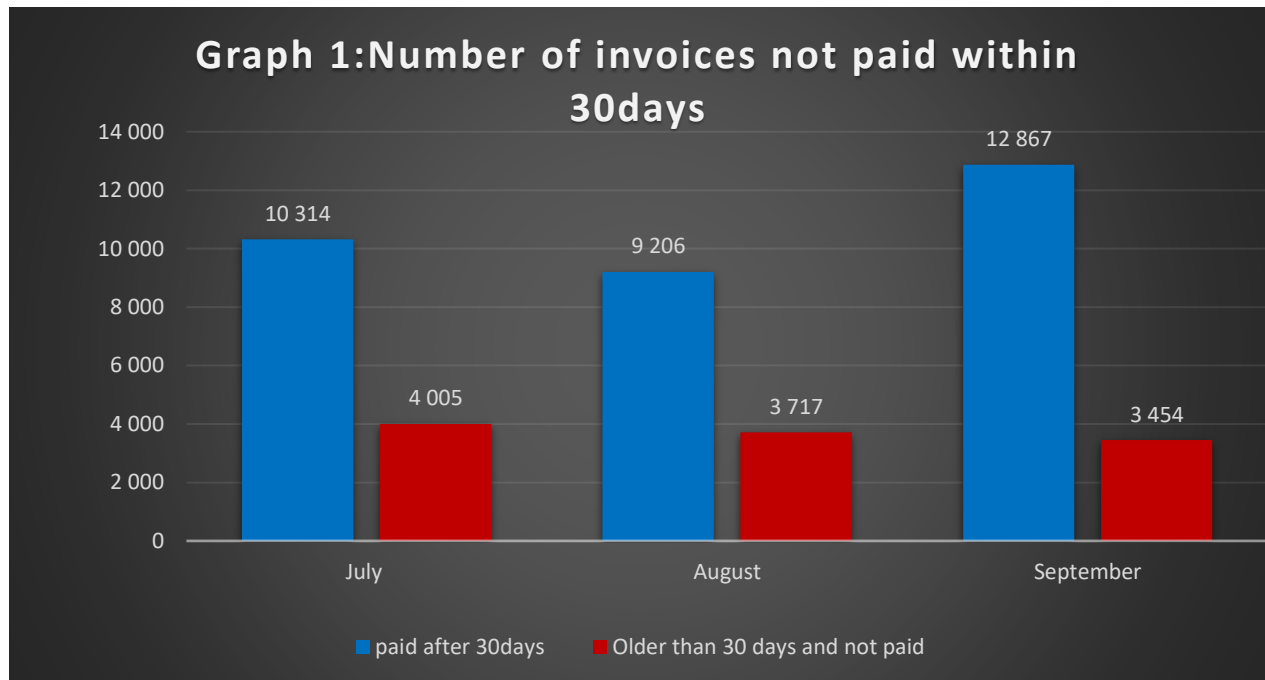
All national departments submitted their 30 days exception reports to the National Treasury as required by Instruction Note No. 34 during the second quarter of the 2022/2023 financial year. This represents a 100% compliance submission rate in the second quarter of the 2022/2023 financial year with an average timeous submission rate of 91%. There is an improvement of 12% in the average timeous submission rate when compared to the average timeous submission rate of 79% achieved in the first quarter of the 2022/2023 financial year.

The analysis also reveals an improvement of 8% when comparing the average timeous submission rate of 83% achieved in the second quarter of the 2022/2023 financial year with the average timeous submission rate of 91% achieved in the second quarter of the 2020/2021 financial year.

## 5.1 Invoices not paid within 30days

**Graph 1** below illustrate the **number of invoices not paid within 30 days** by national departments during the second quarter of the 2022/2023 financial year.

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



Graph 1 above provides a monthly comparison of the number of invoices not paid within 30 days by national departments during the second quarter of the 2022/2023 financial year. The total number of invoices paid after 30 days in the second quarter of the 2022/2023 financial year amounted to 32 787 invoices.

During July 2022, 10 314 invoices were paid after 30 days from the date of receipt. The number of invoices paid after 30 days in August 2022 amounted to 9 206, which represents an improvement of 11% or 1 108 invoices.

The number of invoices paid after 30 days in September 2022 amounted to 12 867. This represents a regression of 40% or 3 661 when compared with the number of invoices paid after 30 days in August 2022 which amounted to 9 206.

The analysis reveals that national departments that reported the highest number of invoices paid after 30 days in the second quarter of the 2022/2023 financial year are Defence, Police,



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correctional services, Public Works, and Infrastructure (Trading Account (PMTE) and Water and Sanitation (Trading account (PMTE)).

The graph further indicates that as at the end of July 2022, the number of invoices older than 30 days and which were not paid amounted to 4 005 whilst the number of invoices not paid as at the end of August 2022 amounted to 3 717, thereby representing an Improvement of 8% or 288 invoices.

At the end of September 2022, the number of invoices older than 30 days and not paid amounted to 3 454. This represents an improvement of 7% or 263 invoices when compared to 3 717 invoices which were outstanding at the end of August 2022.

The national departments that reported the highest number of invoices older than 30 days and not paid at the end of September 2022 are Health and Tourism.

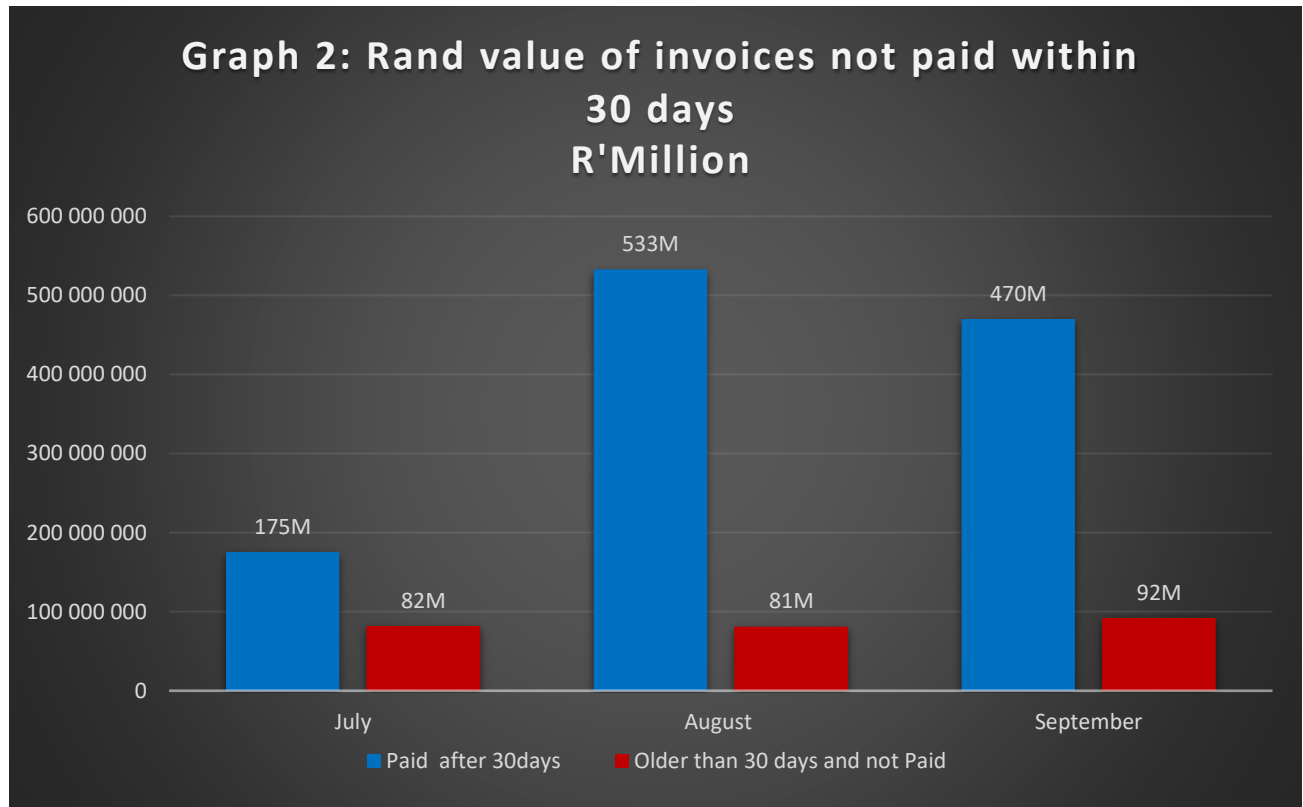
The following departments reflect an improvement in the number of invoices older than 30 days and not paid when comparing Q1 to Q2:

- Mineral Resources and energy.
- Agriculture, Land Reform and Rural development.
- Forestry, Fisheries, and environment.

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**Graph 2** below illustrate the **Rand Value of invoices not paid within 30 days** by national departments during the second quarter of the 2021/2022 financial year.

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



Graph 2 above provides a monthly comparison of the rand value of invoices not paid within 30 days by national departments during the second quarter of the 2022/2023 financial year. The Rand value of invoices paid after 30 days in the second quarter of 2022/2023 financial year amounted to R1,2 billion and this indicates a regression of R424 million when compared to the Rand value of invoices paid after 30 days in the first quarter of 2022/2023 financial year which amounted to R425 million.

During July 2022, the rand value of invoices that were paid after 30 days amounted to R175 million. The rand value of invoices paid after 30 days in August 2022 amounted to R533 million. This represents a regression of R358 million.

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The rand value of invoices paid after 30 days in September 2022 amounted to R470 million. This represents an improvement of 12% or R63 million when compared with the rand value of invoices paid after 30 days in August 2021 which amounted to R533 million.

The graph further indicates that at the end of September 2022, the rand value of invoices older than 30 days and not paid amounted to R92 million. This represents a regression of 88 million when compared to R4 million that was outstanding at the end of June 2022.

**Table 2** below indicates national departments that paid all their invoices within 30 days during the second quarter of 2021/2022 financial year:

**Table 2: National Departments that paid all their invoices within 30 days**

Table 2: Departments that paid all their invoices within 30days during the second quarter
Planning, Monitoring and Evaluation
Public Service and Administration
Public Service Commission
Traditional Affairs
Women, Youth and Persons with Disabilities
Communications and Digital Technologies
Science and Innovation
Small Business Development
Sports, Arts and Culture
Trade, Industry, and innovation

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Table 2 above illustrate national departments that paid all legitimate invoices within 30 days as required by the PFMA and its related prescripts and these departments had no outstanding or unpaid invoices at the end of the second quarter of the 2022/2023 financial year.

Furthermore, 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.

**Table 3** below indicates national departments that reported unpaid invoices at the end of the first quarter of the 2021/2022 financial year.

**Table 3: National Departments that reported unpaid invoices**

Table3: National Departments National departments with the most invoices older than 30days and not paid at the end of September 2022		
Department	Unpaid Invoices	Rand Value of Unpaid invoices
Health	2 929	74 million
Tourism	468	3 million
Public works and Infrastructure (PMTE)	22	14 million
Water and Sanitation (PMTE)	21	16 K
Statistics South Africa	7	46 K
Home Affairs	4	20 K
Agriculture, Land Reform and Rural Development	2	12 K
Social Development	1	467 K

Table 3 above indicates national departments that reported the number and Rand value of invoices older than 30 days and not paid at the end of the second quarter of the 2022/2023 financial year, the department that recorded the highest number of invoices older than 30 days and not paid is the department of Health which amounted to 2 929 invoices to the Rand value of R74 million, followed by the department of Tourism which reported 468 invoices to the

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Rand Value of R3 million, furthermore the department that recorded the least number of invoices older than 30 days and not paid is the department of social development which amounted to one invoice with the rand value of R467K.

## Section C

### Provincial Departments

#### 6. Analysis of exceptions reports from Provincial Treasuries

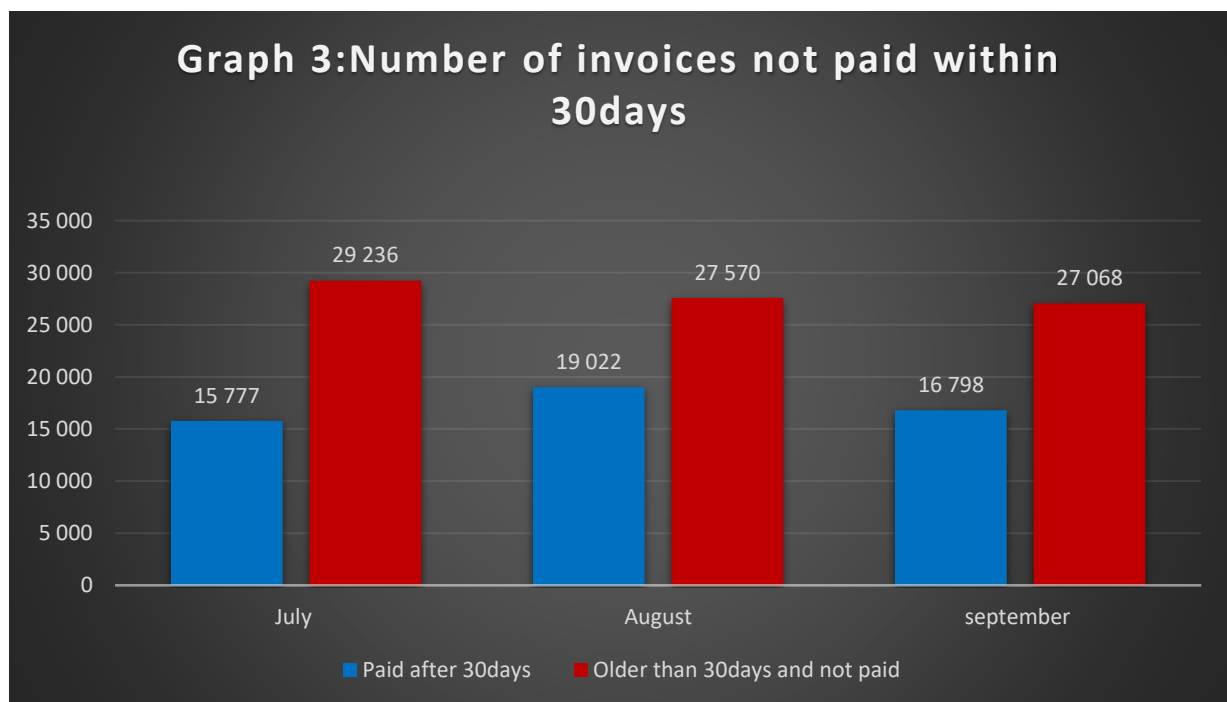
All provincial treasuries submitted their exceptions reports to the National Treasury during the second quarter of 2022/2023, achieving a 100% submission rate to National Treasury as required by Instruction Note No. 34 during the second quarter of 2022/2023 financial year.

The provincial analysis also reveals an improvement of 4% when comparing the average timeous submission rate of 85% achieved in the second quarter of the 2022/2023 financial year with the average timeous submission rate of 81% achieved in the first quarter of the 2022/2023 financial year.

##### 6.1 Invoices paid after 30 days

**Graph 3** below illustrate the **number of invoices not paid within 30 days** by provincial departments during the second quarter of the 2022/2023 financial year.

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



Graph 3 above provides a monthly comparison of the number of invoices not paid within 30 days by provincial departments during the second quarter of the 2022/2023 financial year.

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The total number of invoices paid after 30 days by provincial departments in the second quarter of the 2022/2023 financial year amounted to 51 597 invoices. The number of invoices paid after 30 days in July 2022 amounted to 15 777. This represents a regression of 21% or 3 245 when compared with the number of invoices paid after 30 days in August 2022 which amounted to 19 022.

The Number of invoices paid after 30days in September amounted to 16 798. This represents an improvement of 12% or 2 224 when compared with the number of invoices paid after 30days in August 2022 which amounted to 19 022.

The graph further indicates that as at the end of July 2022, the number of invoices older than 30 days and which were not paid by provincial departments amounted to 29 236 whilst the number of invoices not paid at the end of August 2022 amounted to 27 570, thereby representing an improvement of 6% or 1 666 invoices.

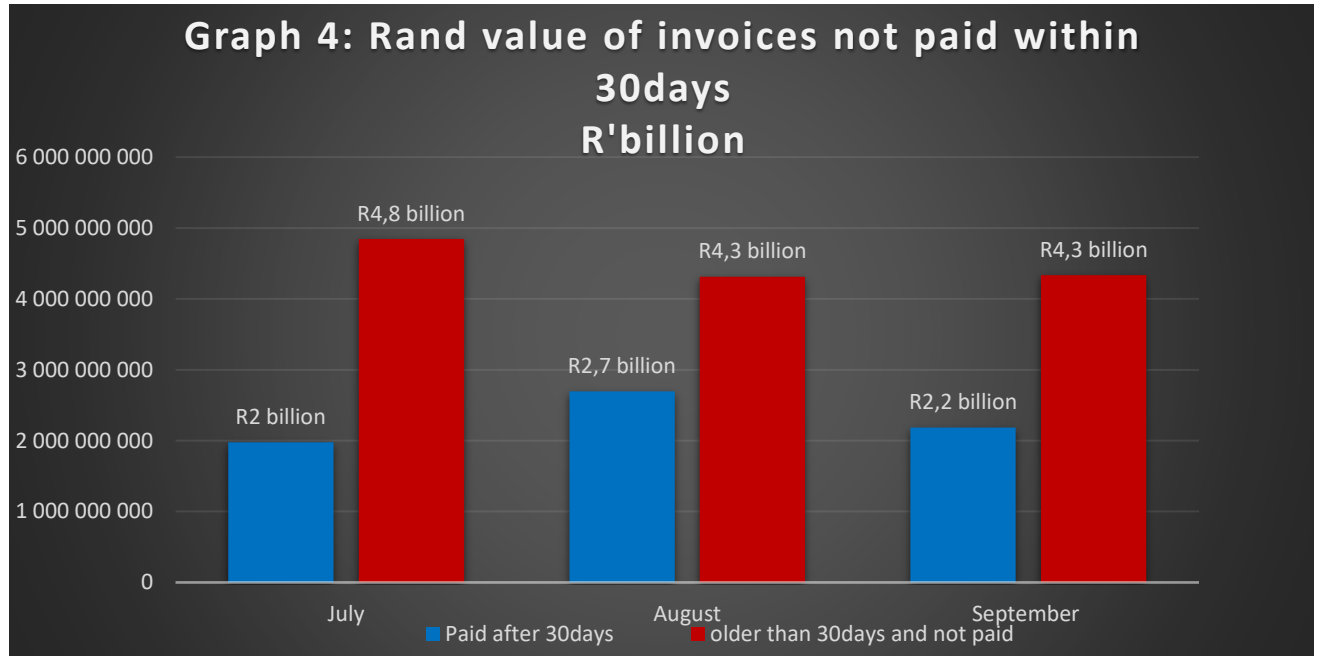
At the end of September 2022, the number of invoices older than 30 days and not paid amounted to 27 068. This represents an improvement of 2% or 502 invoices when compared to 27 570 invoices which were outstanding at the end of August 2022.

The provincial governments that reported the highest number of invoices paid after 30 days in the second quarter of 2022/23 financial year are Eastern Cape, Gauteng, North-west and Kwa-Zulu Natal.

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**Graph 4** below illustrate the **Rand values of invoices not paid within 30 days** by provincial departments during the second quarter of the 2021/2022 financial year.

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



Graph 4 above provides a monthly comparison of the rand value of invoices not paid within 30 days by provincial departments during the second quarter of the 2022/2023 financial year. The total rand value of invoices paid after 30 days in the second quarter of 2022/2023 financial year amounted to R6,9 billion and this indicates an improvement of 1% or R0,1 billion when compared to the rand value of invoices paid after 30 days in the first quarter of 2022/2023 financial year which amounted to R7 billion.

During July 2022, the rand value of invoices that were paid after 30 days amounted to R2 billion. The rand value of invoices paid after 30 days in August 2022 amounted to R2,7 billion. This represents a regression of 35% or R0,7 billion.

The rand value of invoices paid after 30 days in September 2022 amounted to R2,2 billion. This represents an improvement of 19% or R0,5 billion when compared with the rand value of invoices paid after 30 days in August 2021 which amounted to R2,7 billion.

The provincial governments that reported the highest number of invoices older than 30 days and not paid in the second quarter of 2022/23 financial year are Gauteng, North-west, Eastern Cape and Kwa-Zulu Natal.



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**Table 4** below indicates the number and Rand Value of **invoices paid after 30 days** per province for the second quarter of the 2022/2023 financial year:

**Table 4: Provincial Departments – Number and Rand value of invoices paid after 30 days**

Table 4: Number and Rand value of invoices paid after 30days				
	Number of Invoices		Rand value of invoices	%
Limpopo	259	R	27 783 968	0%
Western Cape	311	R	105 446 292	2%
Mpumalanga	566	R	412 431 927	6%
Northern Cape	1 307	R	135 098 067	2%
Free State	1 760	R	347 021 784	5%
Kwazulu-Natal	6 195	R	1 305 737 345	19%
Eastern Cape	13 096	R	1 674 719 638	24%
North- West	13 617	R	959 179 403	14%
Gauteng	14 486	R	1 891 807 636	28%
<b>Total</b>	<b>51 597</b>	<b>R</b>	<b>6 859 226 060</b>	<b>100%</b>

Table 4 above illustrates the performance of provincial governments in terms of the number and rand value of invoices paid after 30 days during the second quarter of the 2022/2023 financial year. The table further indicated that the Gauteng provincial government recorded the highest number and rand value of invoices paid after 30 days in the second quarter of the 2022/2023 financial year. Limpopo recorded the least number and rand value of invoices paid after 30 days during the same period.

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**Table 5** below indicates the number and Rand Value of invoices older than 30 days and not paid per province at the end of the first quarter of the 2022/20223 financial year:

**Table 5: Provincial Departments – Number and Rand value of unpaid invoices**

	Number of invoices	Rand value of invoices	%
Western Cape	-	-	0%
Limpopo	15	R 2 831 129	0%
Free State	783	R 149 891 968	3%
Kwazulu-Natal	833	R 357 348 003	8%
Northern Cape	2 095	R 185 640 071	4%
Mpumalanga	2 153	R 73 828 076	2%
North-west	3 498	R 255 127 948	6%
Gauteng	7 791	R 1 291 708 072	30%
Eastern Cape	9 909	R 2 019 421 022	47%
<b>Total</b>	<b>27 077</b>	<b>R 4 335 796 289</b>	<b>100%</b>

Table 5 above indicates the performance of provinces with regards to the number and rand value of invoices older than 30 days and not paid by provincial departments at the end of the second quarter of the 2022/2023 financial year.

The table further indicates that the Eastern Cape provincial government recorded the highest number and rand value of invoices older than 30 days and not paid at the end of September 2022, and the Western Cape provincial government did not record any number of invoices older than 30 days and not paid at the end of the first quarter of the 2022/23 financial year.

## SECTION D

### **7 Common reasons provided for the late or non-payment of invoices**

The following reasons are the common reasons provided by national and provincial departments for late and/or non-payment of invoices during the second quarter of the 2022/2023 financial year:

- a) Inadequate budget;
- b) Disputes with suppliers on invoices received;
- c) Unresolved SCM related queries;
- d) Late authorisation of invoices;
- e) Poor internal controls;
- f) Inadequate internal capacity;

## Section E

### 8. Conclusion

Analysis of the information received during the second quarter of the 2022/2023 financial year from national and provincial departments indicates that provincial departments are responsible for 61% of invoices paid after 30 days and also responsible for 89% of invoices older than 30 days and not paid during the second quarter of 2022/2023 financial year.

The main contributing departments towards the late and/non-payment of invoices at national level are Defence, Police, correctional services, Public Works, and Infrastructure (Trading Account (PMTE) and Water and Sanitation (Trading account (PMTE)).

The information further indicates that the Gauteng province reported the highest number of invoices not paid within 30 days in the second quarter of the 2021/2022 financial year. At the provincial level, the health sector remains the main contributor of invoices not paid within 30 days.

It is recommended that FOSAD **NOTE** the following analysis:

- a) the provinces are responsible for the majority of invoices not paid within 30 days;
- b) the health sector at the provincial level is the main contributor towards the late and/or non-payment of invoices;
- 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 reason 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 deficiency in departments that appear to be recurring without being addressed.