



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NON-COMPLIANCE WITH PAYMENTS OF SUPPLIERS WITHIN 30 DAYS

1ST QUARTER REPORT (APRIL 2022- JUNE 2022)

NATIONAL TREASURY

FIRST QUARTER | 2022/2023

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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 for the first quarter of 2022/2023 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 paid 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 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 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 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:

- i. The number and rand value of invoices paid after 30 days from the date of receipt of invoices.

- ii. The number and rand value of invoices older than 30 days and which have not been paid.
- iii. The reasons for late and/ or non-payment of the invoices referred to in (i) and (ii) 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 has a serious 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 to these suppliers being liquidated which may result to the forced closures of the Small, Medium and Micro Enterprises (SMMEs) due to constrained cash flow positions.

3.2. The closing down of these SMMEs is seen as being counterproductive to the objectives of the National Development plan (NDP), 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 requirements to pay invoices within 30 days. Pursuant to these resolutions, 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. For the first quarter of the 2022/2023 financial year, the average submission rate for the national departments is 99% and the average timeous submission rate is 79%.

4.2. All provincial treasuries submitted the exceptions reports to the National Treasury in the first quarter of 2022/2023 with the average timeous submission rate of 81%.

4.3. Table 1 below shows the total number and rand value of legitimate invoices from suppliers that were not paid within 30 days in the first quarter of the 2022/2023 financial year for both national and provincial departments.

Table 1: Number and Rand Value of invoices not paid within 30 days by both national and provincial departments.

Quarter 1 2022/23	PAID AFTER 30 DAYS		OLDER THAN 30 DAYS NOT PAID	
	Number of invoices	Rand Value of Invoices	Number of invoices (as at June 2022)	Rand Value of Invoices (as at June 2022)
National Departments	29322	R521 million	959	R4,1 million
Provincial Departments	75 477	R8 billion	24 242	R4,8 billion
Total	104 799	R9 billion	25 201	R4,8 billion

4.4. Table 1 above indicates that the number of invoices paid after 30 days by national and provincial departments during the first quarter of 2022/2023 financial year amounts to 104 799 invoices to the rand value of R9 billion.

- 4.5. Table 1 further indicates that the number of invoices older than 30 days and not paid by the national and provincial departments at the end of June 2022 of the 2022/23 financial year amounts to 25 201 to the rand value of R4,8 billion.
- 4.6. The table further indicates that the number of invoices paid after 30 days by national departments during the first quarter of 2022/23 financial year amounts to 29 322 invoices to the rand value of R521million and the number of invoices older than 30 days and not paid by national departments at the end of June 2022 amounts to 959 to the rand value of R4,1 million.
- 4.7. Furthermore, the table above indicates that the number of invoices paid after 30 days by provincial departments during the first quarter of 2022/23 financial year amounts to 75 477 invoices to the rand value of R8 billion and the number of invoices older than 30 days and not paid by provincial departments as at the end of June 2022 amounts to 24 242 to the rand value of R4,8 billion.
- 4.8. The main contributing departments towards the number of invoices paid after 30 days at the national level are the departments of Correctional Services, Defence, Police, Water and Sanitation (Trading Account) and Property Management Trading Entity (PMTE).
- 4.9. The main contributing departments towards the number of invoices older than 30 days and not paid at the national level are the departments of Water and Sanitation (Trading Account) and Tourism.
- 4.10. The main contributing provinces towards the number of invoices paid after 30 days are the Eastern Cape, Gauteng, Kwazulu-Natal and North West.
- 4.11. The main contributing provinces towards the number of invoices older than 30 days and not paid are the Eastern Cape, North West and Gauteng.
- 4.12. 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, and budget constraints.

Section B

National Department

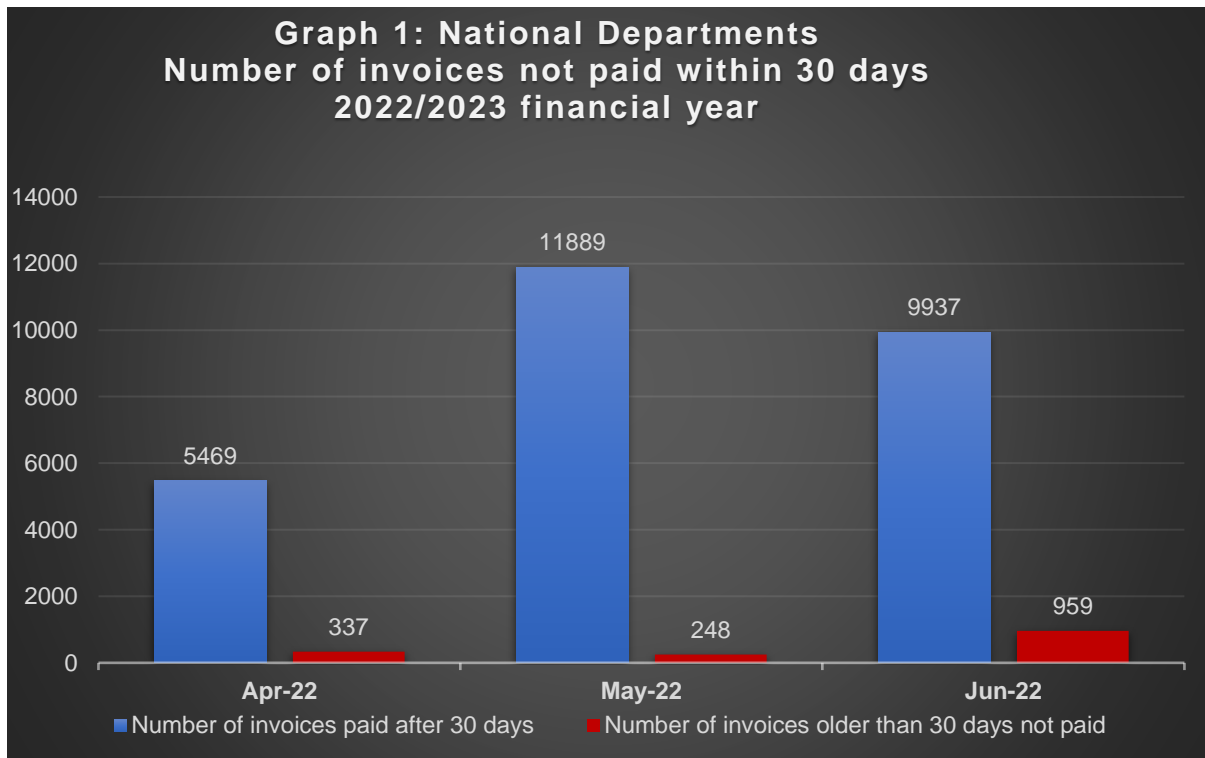
5. Analysis of exceptions reports from National Departments

Only forty-one (41) national departments submitted their 30 days exception reports to the National Treasury as required by Instruction Note. 34 during the first quarter of the 2022/23 financial year with an average timeous submission rate of 79%.

5.1 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 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 first quarter of the 2022/2023 financial year.

The number of invoices paid after 30 days during the first quarter of 2022/2023 financial year amounted to 29322 invoices, and this indicates a regression of 27% or

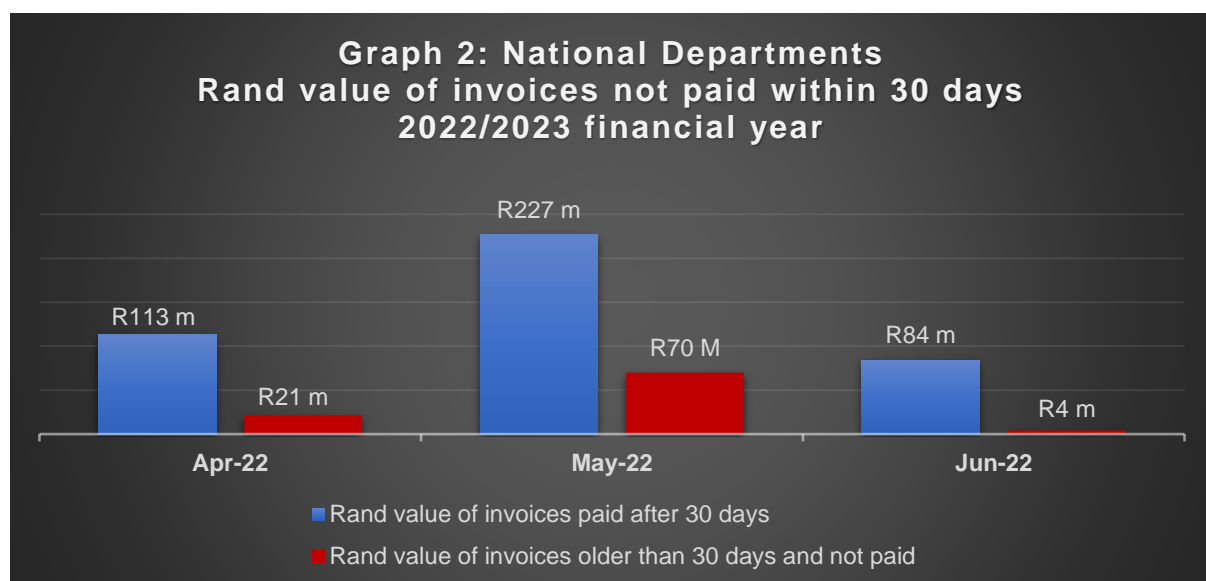
6259 invoices when compared to the number of invoices paid after 30 days during the first quarter of 2021/2022 financial year which amounted to 23 063.

The graph further indicates that the number of invoices older than 30 days and not paid by national departments at the end of June 2022 amounted to 959 invoices and this indicates a regression of 87% or 446 invoices when compared to the number of invoices older than 30 days and not paid at the end of June 2021 which amounted to 513.

The national departments that reported invoices older than 30 days and not paid at the end of June 2022 include Home Affairs, Public Works (Main account and PMTE), Statistics SA, Tourism, Social Development, Forestry, Fisheries and Environment, Water and Sanitation.

Graph 2 below illustrate the **Rand Value of invoices not paid within 30 days** by national departments during the first quarter of the 2022/2023 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 first quarter of the 2022/2023 financial year. The rand value of invoices paid after 30 days in the first quarter of 2022/2023 financial year amounted to R521 million and this indicates an improvement of 44% when compared to the Rand value of invoices paid after 30 days in the first quarter of 2021/2022 financial year which amounted R934 Million.

Furthermore, the graph indicates the rand value of invoices older than 30 days and not paid by national departments at the end of June 2022 which amounted to R4 million, and this indicates an improvement of 99% when compared to the rand value of invoices older than 30 days and not paid at the end of June 2021 which amounted to R510 million.

Table 2 below indicates national departments that paid all their invoices within 30 days during the first quarter of the 2022/2023 financial year:

Table 2: National Departments that paid invoices within 30 days

National Departments that paid invoices within 30 days in the first quarter of the 2022/2023 financial year	
1. National School of Government	8. Higher Education and Training
2. Planning, Monitoring and Evaluation	9. Women, Youth & Persons with Disabilities
3. Public Enterprises	10. Communications and Digital Technologies
4. Public Service and Administration	11. Employment and Labour
5. Public Service Commission	12. Science and Innovation
6. Traditional Affairs	13. Small Business Development
7. Basic Education	14. Sports and Arts and Culture
	15. Trade, Industry and Competition

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 first 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 2022/2023 financial year.

Table 3: National Departments that reported unpaid invoices

National Departments with invoices older than 30 days and not paid at the end of June 2022		
Department	Unpaid Invoices	Rand Value of Unpaid invoices
1. Water and sanitation (Trading Account)	764	R 2,6 million
2. Tourism	149	R 705k
3. Public Works and Infrastructure (Trading Account)	23	R 3K
4. Forestry, Fisheries and Environment	7	R 71k
5. Statistics SA	6	R 600K
6. Social Development	4	R 93K
7. Water and Sanitation	3	R 20k
8. Home Affairs	2	R 15k
9. Public Works and Infrastructure (Main Account)	1	R 11k

Table 4 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 first 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 Water and Sanitation (Trading Account) which amounted to 764 invoices to the rand value of R2,6 million, followed by the department of Tourism which reported 149 invoices to the rand value of R 700k. Furthermore the department that recorded the least number of invoices older than 30 days and not paid is the department of Public Works and Infrastructure (Main Account) which amounted to one (1) invoice with the rand value of R 11k.

Section C

Provincial Departments

6 Analysis of exceptions reports from Provincial Treasuries

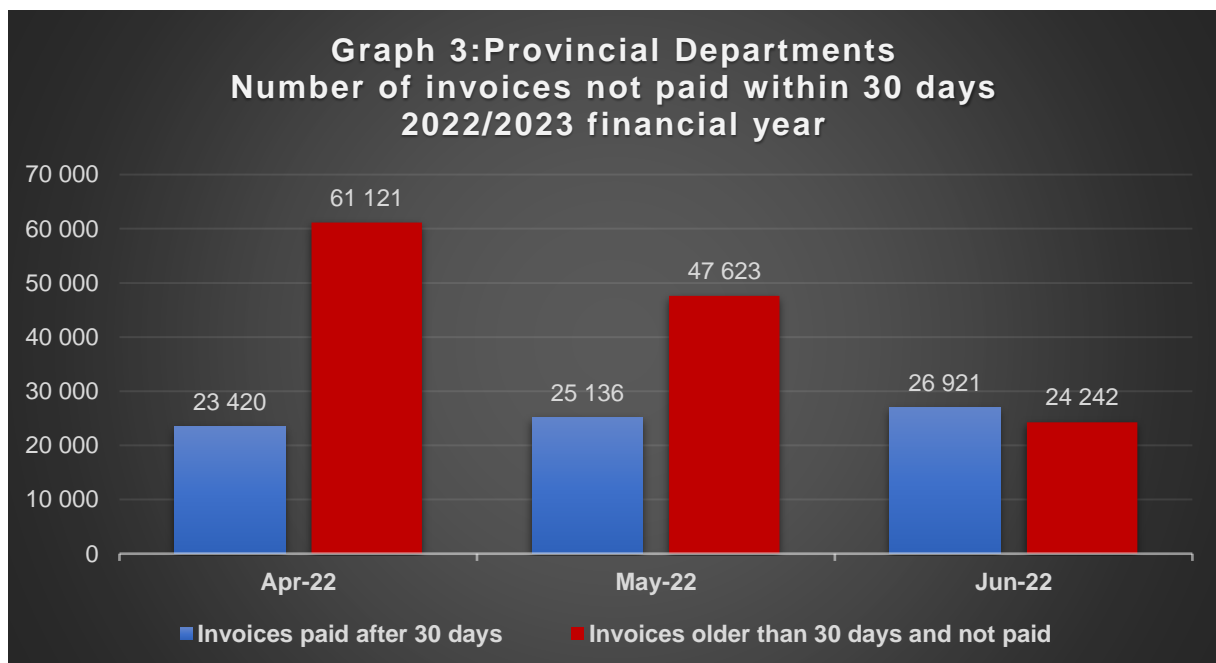
All provincial Treasuries submitted their exceptions reports to the National Treasury during the first quarter of the 2022/2023 financial year, achieving a 100% submission rate as required by Instruction Note Number 34.

Provincial Treasuries achieved an average timeous submission rate of 81% during the first quarter of the 2022/2023 financial year. It is important to note that some submissions by provincial treasuries did not reflect information for all provincial departments as some provincial departments are still struggling to submit reports timeously.

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 first quarter of the 2022/2023 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 2022/2023 financial year. The number of invoices paid after 30 days during the first quarter of 2022/2023

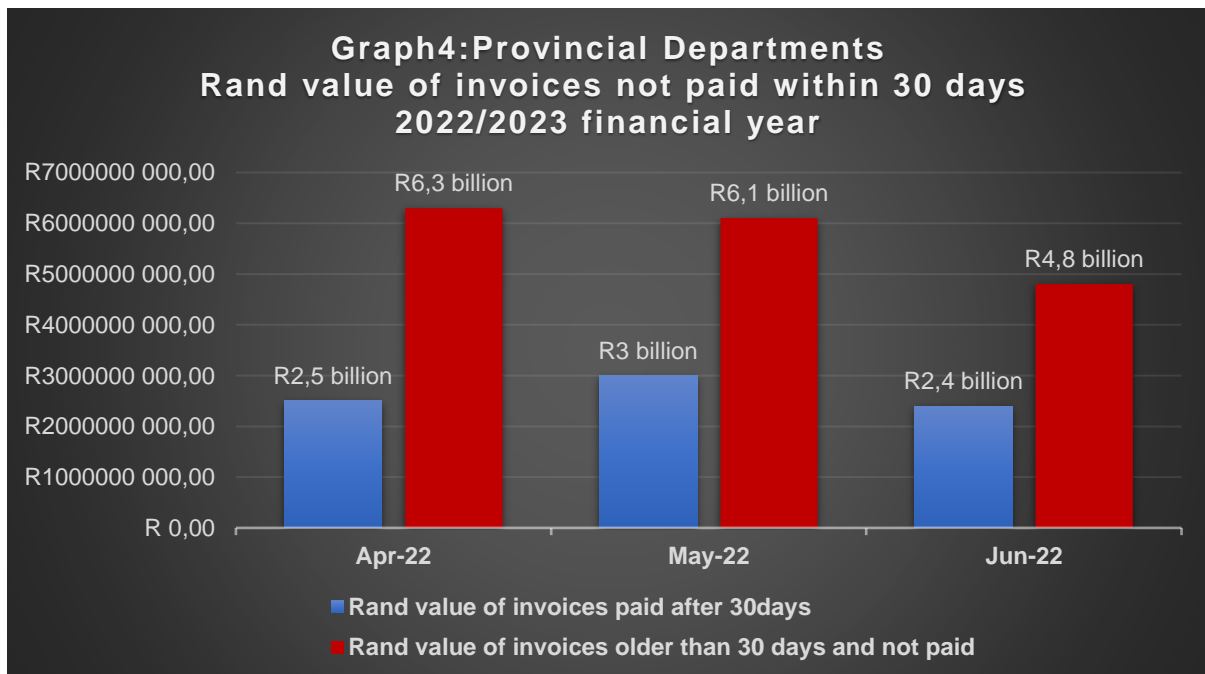
financial year amounted to 75 477 invoices, and this indicates an improvement of 10% or 8 542 invoices when compared to the number of invoices paid after 30 days during the first quarter of 2021/2022 financial year which amounted to 84 019.

The graph further illustrates that the number of invoices older than 30 days and not paid by provincial departments at the end of June 2022 amounted to 24 242 invoices and this indicates a regression of 23% or 4 473 invoices when compared to the number of invoices older than 30 days and not paid at the end of June 2021 which amounted to 19 769 invoices.

The provincial governments that reported the highest number of invoices not paid within 30 days during the first quarter of 2022/23 financial year are the Eastern Cape, Gauteng, North West, and Kwazulu-Natal and this will be illustrated further in table 5 and table 6 below.

Graph 4 below illustrate the **rand values of invoices not paid within 30 days** by provincial departments during the first quarter of the 2022/2023 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 2022/2023 financial year. The rand value of invoices paid after 30 days in the first quarter of

2022/2023 financial year amounted to R8 billion and this indicates an improvement of 11% when compared to the rand value of invoices paid after 30 days in the first quarter of 2021/2022 financial year which amounted to R 9.0 billion.

Furthermore, the graph indicates the rand value of invoices older than 30 days and not paid by provincial departments at the end of June 2022 amounted to R 4.8 billion and this indicates a regression of 23% when compared to the Rand value of invoices older than 30 days and not paid at the end of June 2021 which amounted to R 3.9 billion.

The provincial governments that reported the highest rand value of invoices not paid within 30 days during the first quarter of the 2022/2023 financial year are the Eastern Cape, Gauteng, and Kwazulu-Natal and North West and this will be illustrated further in table 5 and table 6.

Table 5 below indicates the number and rand value of **invoices paid after 30 days** per province for the first quarter of the 2022/2023 financial year:

Table 5: Provincial Departments – Number and rand value of invoices paid after 30 days

Provincial Departments		
Number and Rand Value of invoices paid after 30 days per province		
	Number of invoices	Rand Value of invoices
Mpumalanga	191	R43 624 929
Western Cape	391	R65 957 953
Limpopo	417	R33 516 819
Northern cape	1 088	R94 608 978
Free state	3 126	R711 311 180
Kwazulu-Natal	10 228	R1 777 563 217
Eastern Cape	11 915	R1 405 078 811
North West	13 191	R873 678 597
Gauteng	34 930	R3 022 856 703
Total	75 477	R8 028 197 187

Table 5 above illustrate 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 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 first quarter of the 2022/23 financial year. Mpumalanga recorded the least number of the invoices paid after 30 days in the first quarter of the 2022/23 financial year

followed by Limpopo recorded the least rand value of invoices paid after 30 days during the same period.

Table 6 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 2022/2023 financial year:

Table 6: Provincial Departments – Number and rand value of unpaid invoices

Provincial Departments		
Number and Rand Value of invoices older than 30 days and not paid per province		
	Number of invoices	Rand Value of invoices
Mpumalanga	3	R 3 033 218
Western Cape	4	R31 293
Limpopo	26	R3 533 130
Kwazulu-Natal	669	R27 353 872
Free State	967	R281 492 366
Northern Cape	1 131	R233 665 843
Gauteng	3 530	R1 334 443 888
North West	3 769	R392 170 711
Eastern Cape	14 143	R2 541 533 317
Total	24 242	R4 817 257 638

Table 6 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 first quarter of the 2022/2023 financial year.

The table further indicates that the Eastern Cape province recorded the highest number and rand value of invoices older than 30 days and not paid at the end of June 2022 therefore responsible for 58% of the number of invoices older than 30 days and not paid by provincial departments at the end of the first quarter of the 2022/23 financial year.

The Mpumalanga province reported the least number of invoices older than 30 days and not paid at the end of the first quarter of the 2022/23 financial year, and Western Cape reported the least rand value of the invoices older than 30 days and not paid during the same period.

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 first quarter of the 2022/2023 financial year:

- i. IT system issues (BAS, LOGIS, Safety web etc)
- ii. Delay in submission of invoices for processing
- iii. Unresolved invoice discrepancies
- iv. Client departments not confirming Funds timeously
- v. CSD information not updated timeously by suppliers
- vi. Inadequate budget
- vii. Inadequate internal capacity

Section E

8. Conclusion

Analysis of the information received during the first quarter of the 2022/2023 financial year from national and provincial departments indicated that provincial departments are responsible for 71% of invoices paid after 30 days by national and provincial departments, and provincial departments are also responsible for 96% of invoices older than 30 days and not paid during the first quarter of 2022/2023 financial year.

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 and Water and Sanitation (including Trading Account).

The information further indicated that the Eastern Cape province reported the highest number and rand value of invoices which are not paid within 30 days at a provincial level during the first quarter of the 2022/23 financial year. The health sector is still the main contributor at the provincial level.

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

- I. The provinces are responsible for the majority of invoices that are paid late.
- II. The health sector is the main contributor towards the late and/or non-payment of invoices.
- III. The department of Defence contributed the highest number of invoices paid after 30 days.
- IV. The department of Water Affairs and Sanitation (Trading Account) contributed the highest number of invoices older than 30 days and not paid.
- V. Late and/or non-payment of invoices within 30 days continues to severely impact the sustainability of the SMMEs.
- VI. 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.