



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NON-COMPLIANCE WITH PAYMENTS OF SUPPLIERS WITHIN 30 DAYS

THIRD QUARTER REPORT (OCTOBER 2022-DECEMBER 2022)

NATIONAL TREASURY
THIRD QUARTER | 2022/2023

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 third quarter of the 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 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 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.
- 2.4 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:
 - 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 Only 98% of national departments submitted their 30 days exception reports to the National Treasury as required by Instruction Note No. 34 during the third quarter of the 2022/2023 financial year with an average timeous submission rate of 87%. This represents a regression of 4% when compared with the average timeous submission rate of 91% achieved in the second quarter of the 2022/2023 financial year.
- 4.2. All provincial treasuries submitted their exceptions reports to the National Treasury during the third quarter of the 2022/2023 financial year with an average timeous submission rate of 81%. This represents a of 4% when compared with the average timeous submission rate of 85% achieved in the second quarter of the 2022/2023 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 third quarter of the 2022/2023 financial year.

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 3 2022/2023 Financial Year	Invoices paid after 30 days		Invoices older than 30 days and not paid	
	Number of Invoices	Rand Value Invoices	Number of invoices as at (December 2022)	Rand value of invoices as of (December 2022)
National Departments	18 281	R 1 billion	3 186	R 91 million
Provincial Departments	52 344	R 6,7 billion	35 632	R 5,1 billion
Total	70 625	R 7,7 billion	38 818	R 6,01 billion

- 4.4 Table 1 above illustrates that the number of invoices paid after 30 days by national and provincial departments during the third quarter of 2022/23 financial year amounts to 70 625 invoices to the Rand value of R 7,7 billion.
- 4.5 Table 1 further illustrates that the number of invoices older than 30 days and not paid by the national and provincial department at end of December 2022 of the 2022/23 financial year amounts to 38 818 to the rand value of R 6,0 billion.
- 4.6 The table further indicates that the provincial departments contribute the highest number and rand value of invoices paid after 30 days during the third quarter of 2022/23 financial year.
- 4.7 The main contributing departments towards the late and/or non-payment of invoices in the third quarter at the national level are the departments of Public Works and Infrastructure (including PMTE), International Relations and Cooperation, Health, Police, Water and Sanitation (including trading account) and Correctional Services, Agriculture, Land Reform and Rural Development and Justice and constitutional development.
- 4.8 The main contributing provinces towards the late and/or non-payment of invoices at the provincial level are Gauteng, North West, Eastern Cape and Kwazulu-Natal provincial governments, however, the number and rand value of invoices reported by provincial departments remains relatively high.

4.9 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

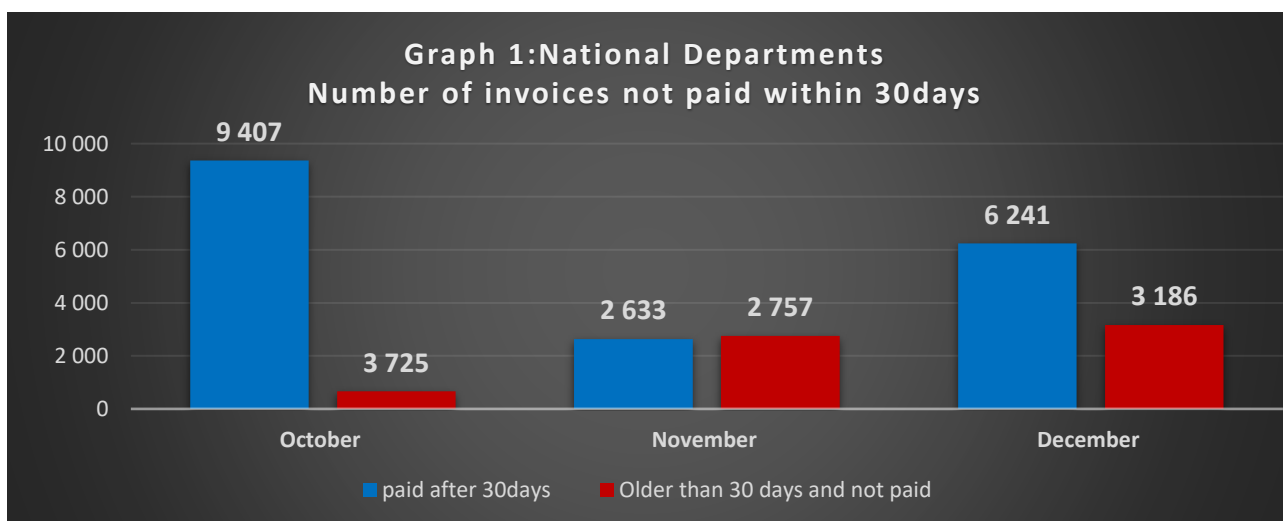
Only 40 national departments submitted their 30 days exception reports to the National Treasury as required by Instruction Note No. 34 during the third quarter of the 2022/2023 financial year. This represents a 98% compliance submission rate in the third quarter of the 2022/2023 financial year with an average timeous submission rate of 87%. There is a regression of 4% in the average timeous submission rate when compared to the average timeous submission rate of 91% achieved in the second quarter of the 2022/2023 financial year.

The analysis also reveals an improvement of 7% when comparing the average timeous submission rate of 87% achieved in the third quarter of the 2022/2023 financial year with the average timeous submission rate of 80% achieved in the third quarter of the 2021/2022 financial year.

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 third 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 third quarter of the 2022/2023 financial year.

Third Quarter report on non-compliance with payments of suppliers' invoices within 30 days
(2022/2023 Financial Year)

The total number of invoices paid after 30 days in the third quarter of the 2022/2023 financial year amounted to 18 281 invoices.

During October 2022, 9 407 invoices were paid after 30 days from the date of receipt. The number of invoices paid after 30 days in November 2022 amounted to 2 633, which represents an improvement of 72% or 6 774 invoices.

The number of invoices paid after 30 days in December 2022 amounted to 6 241. This represents a regression of 58% or 3 608 when compared with the number of invoices paid after 30 days in November 2022 which amounted to 2 633.

The analysis reveals that national departments that reported the highest number of invoices paid after 30 days in the third quarter of the 2022/2023 financial year are the departments of Defence, Police, Correctional Services, Public Works, and Infrastructure (Trading Account (PMTE), Tourism and Agriculture Land Reform and Rural Development.

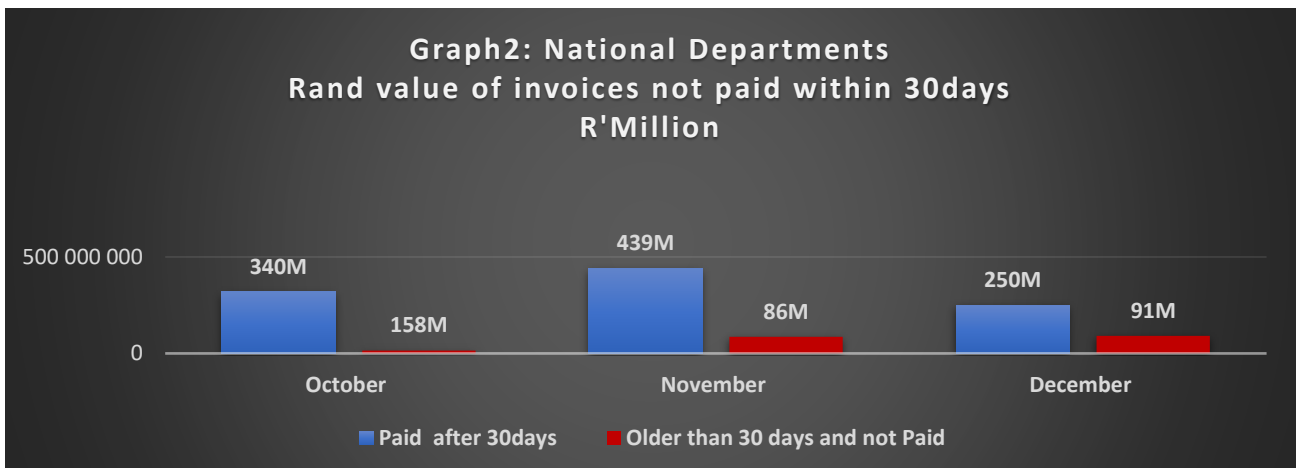
The graph further indicates that as at the end of November 2022, the number of invoices older than 30 days and which were not paid amounted to 2 757 whilst the number of invoices not paid as at the end of October 2022 amounted to 3 186, thereby representing a regression of 16% or 429 invoices.

At the end of December 2022, the number of invoices older than 30 days and not paid amounted to 3 186. This represents a regression of 13% or 429 invoices when compared to 2 757 invoices which were outstanding at the end of November 2022.

The national departments that reported the highest number of invoices older than 30 days and not paid at the end of December 2022 are the departments of Health, Statistics South Africa, Tourism and Public Works and Infrastructure (Trading Account (PMTE)).

Graph 2 below illustrate the **Rand Value of invoices not paid within 30 days** by national departments during the third quarter of the 2022/2023 financial year.

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



Third Quarter report on non-compliance with payments of suppliers' invoices within 30 days
(2022/2023 Financial Year)

Graph 2 above provides a monthly comparison of the rand value of invoices not paid within 30 days by national departments during the third quarter of the 2022/2023 financial year. The Rand value of invoices paid after 30 days in the third quarter of the 2022/2023 financial year amounted to R1 billion and this indicates an improvement of 17% when compared to the Rand value of invoices paid after 30 days in the second quarter of 2022/2023 financial year which amounted to R 1,2 billion.

The graph further indicates that the rand value of invoices older than 30 days and not paid at the end of December 2022 amounted to R91 million, and this represents an improvement of 1% or R1 million when compared to the rand value of invoices older than 30 days and not paid at the end of September 2022 which amounted to R92 million.

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

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

Table 2: National Departments Departments that paid all their invoices within 30 days during the third quarter	
1.	National School of Government
2.	Planning, Monitoring and Evaluation
3.	Public Service and Administration
4.	Public Service Commission
5.	Basic Education
6.	Public Enterprise
7.	Human Settlement
8.	Traditional Affairs
9.	Women, Youth and Persons with Disabilities
10.	Civilian Secretariat for the Police Service
11.	Communications and Digital Technology
12.	Science and Innovation
13.	Small Business Development
14.	Sports, 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 third 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 third quarter of the 2022/2023 financial year.

Table 3: National Departments that reported unpaid invoices

Table 3: National departments Departments that reported invoices older than 30 days and not paid at the end of December 2022		
Department	Unpaid Invoices	Rand Value of unpaid invoices
1. Health	1 997	R 56million
2. Statistics South Africa	621	R 9million
3. Tourism	271	R 2million
4. Public Works and Infrastructure (including PMTE)	265	R 23million
5. Water and Sanitation	32	R 227K
6. Agriculture and Land Reform	22	R 232K
7. Home Affairs	10	R 31K

Table 3 above indicates the national departments that reported the number and Rand value of invoices older than 30 days and not paid at the end of the third quarter of the 2022/2023 financial year.

The main contributors towards the number of invoices older than 30 days and not paid at the end of December 2022 are the departments of Health, Statistics South Africa, and Tourism. The department of Health reported 1 997 invoices to the rand value of R 56 million, the department of Statistics SA reported 621 invoices to the Rand Value of R 9million, and Tourism reported 271 invoices to the rand value of R 2 million.

Section C

Provincial Departments

6. Analysis of exceptions reports from Provincial Treasuries

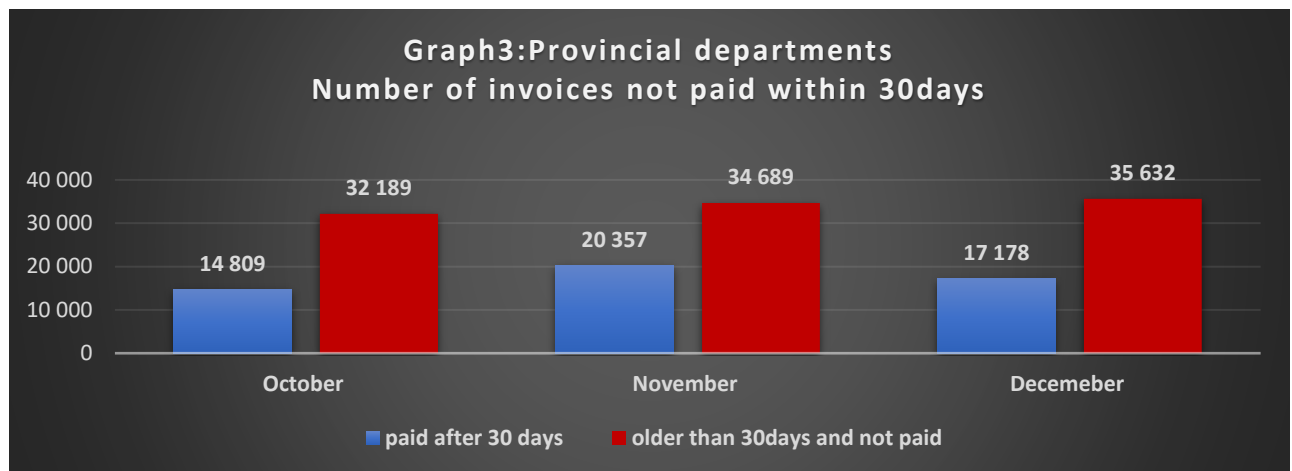
All provincial treasuries submitted their exceptions reports to the National Treasury during the third quarter of 2022/2023, achieving a 100% submission rate as required by the Instruction Note No. 34 during the third quarter of the 2022/2023 financial year.

The provincial analysis also reveals that there is a regression of 13% when comparing the average timeous submission rate of 81% achieved in the third quarter of the 2022/2023 financial year with the average timeous submission rate of 93% achieved in the second quarter of the 2021/2022 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 third 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 third quarter of the 2022/2023 financial year. The total number of invoices paid after 30 days by provincial departments in the third quarter of the 2022/2023 financial year amounted to 52 344 invoices.

The number of invoices paid after 30 days in November 2022 amounted to 20 357 invoices, and this represents a regression of 37% or 5 548 invoices when compared to the number of invoices paid after 30 days in October 2022 which amounted to 14 809 invoices.

Third Quarter report on non-compliance with payments of suppliers' invoices within 30 days
(2022/2023 Financial Year)

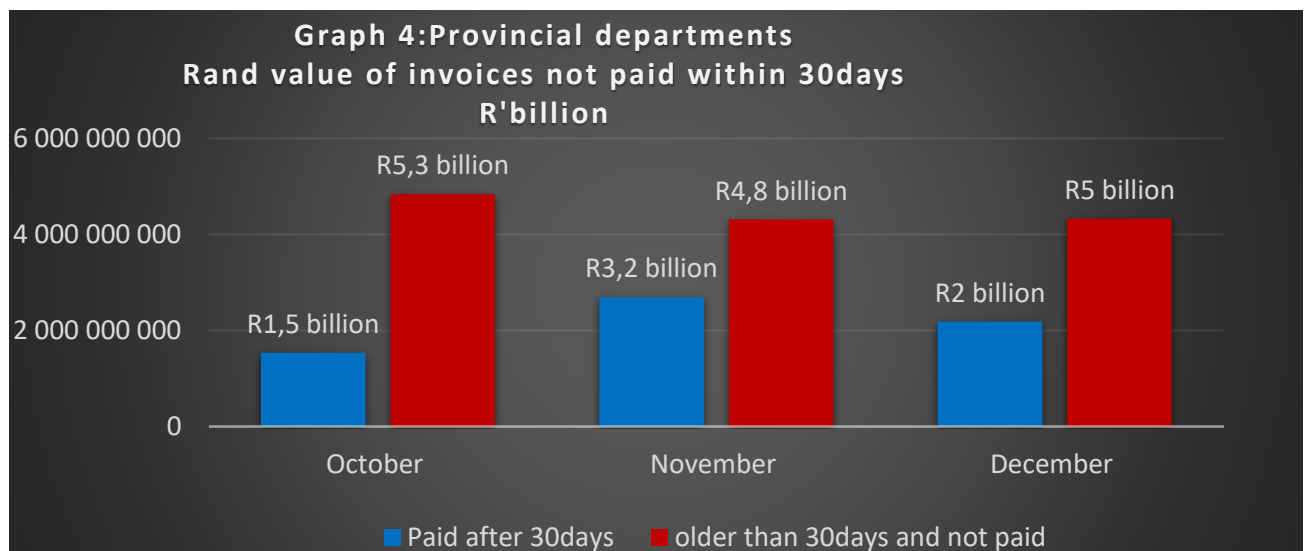
The number of invoices paid after 30 days in December 2022 amounted to 17 178 invoices and this represents an improvement of 16% or 3 179 when compared with the number of invoices paid after 30 days in November 2022 which amounted to 20 357 invoices.

The graph further indicates that the number of invoices older than 30 days and not paid by provincial departments at the end of December 2022 amounted to 35 632 invoices, and this represents a regression of 32% or 8 564 invoices when compared to the number of invoices older than 30 days and not paid at the end of the second quarter of the 2022/23 financial year which amounted to 27 068 invoices.

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

Graph 4 below illustrate the **Rand values of invoices not paid within 30 days** by provincial departments during the third 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 third quarter of the 2022/2023 financial year, and the total rand value of invoices paid after 30 days in the third quarter of the 2022/2023 financial year amounted to R6,7 billion, and this indicates an improvement of R200 million or 3% when compared to the rand value of invoices paid after 30 days in the second quarter of the 2022/2023 financial year which amounted to R6,9 billion.

The graph further indicates that the rand value of invoices older than 30 days and not paid at the end of December 2022 amounted to R5 billion, and this represents a regression of 16% or R700 million when compared to the rand value of invoices older than 30 days and not paid at the end of September 2022 which amounted to R4,3 billion.

The provincial governments that reported the highest number of invoices older than 30 days and not paid in the third quarter of the 2022/23 financial year are Eastern Cape, Gauteng, Northwest and KwaZulu Natal, Free state and Northern Cape provincial government.

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

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

Table 4: Provincial Departments			
Number and Rand Value of invoices paid after 30 days			
	Number of invoices	Rand Value of invoices	%
Western cape	270	R 32 027 195	1%
Limpopo	286	R 18 415 846	1%
Mpumalanga	526	R 302 046 133	1%
Free state	1 167	R 206 477 010	2%
Northern Cape	1 750	R 154 275 635	3%
Kwazulu-Natal	7 524	R 2 160 886 565	14%
North west	8 706	R 770 764 453	17%
Eastern Cape	10 501	R 1 070 308 313	20%
Gauteng	21 614	R 2 056 094 315	41%
Total	52 344	R 5771 295 466	100%

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

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 third quarter of the 2022/2023 financial year:

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

Table 5: Provincial Departments			
Number and Rand Value of invoices older than 30 days not paid			
	Number of invoices	Rand Value of invoices	%
Mpumalanga	4	R 56 000 000	0%
Western Cape	5	R 222 738	0%
Limpopo	61	R 1 428 664	0%
Free state	949	R 126 208 205	3%
Kwazulu-Natal	2 121	R 652 541 634	6%
Northern Cape	2 459	R 146 036 393	7%
North west	4 449	R 398 385 542	12%
Gauteng	10 621	R 1 607 815 695	30%
Eastern Cape	14 963	R 2 095 391 159	42%
	35 632	R 5 084 030 030	100%

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 third 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 December 2022, and Western Cape provincial government recorded the least number and rand value of invoices older than 30 days and not paid at the end of December 2022.

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 third 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;
- g) Misfiled, misplaced or unrecorded invoices.

Section E

8. Conclusion

Analysis of the information received during the third quarter of the 2022/2023 financial year from national and provincial departments indicates that provincial departments are responsible for 74% of invoices paid after 30 days and responsible for 92% of invoices older than 30 days and not paid during the third 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, Health, and Tourism.

The information further indicates that the Eastern Cape and Gauteng province reported the highest number of invoices not paid within 30 days in the third quarter of the 2022/2023 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.