



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NON-COMPLIANCE WITH PAYMENTS OF SUPPLIER'S INVOICES WITHIN 30 DAYS

SECOND QUARTER REPORT (JULY 2023 – SEPTEMBER 2023)

NATIONAL TREASURY
SECOND QUARTER | 2023/2024

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1. Purpose

The purpose of this report is to provide an update to relevant stakeholders on the status of non-compliance by national and provincial departments with the legislative requirements to pay supplier's invoices within 30 days during the second 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 creditors 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 rand value of invoices paid after 30 days from the date of receiving invoices;
 - b) the number and rand 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.

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 second quarter of the 2023/24 financial year with an average timeous submission rate of 89%. This represents a regression of 2% when compared with the average timeous submission rate of 91% achieved in the first quarter of the 2022/23 financial year.
- 4.2 All provincial treasuries submitted their exceptions reports to the National Treasury during the second quarter of the 2023/24 financial year with an average timeous submission rate of 81%, and this represents a regression of 12% when compared with the average timeous submission rate of 93% achieved in the first 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 second 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 2 FY2023/2024	Paid after 30 days		Older than 30 days and not paid	
	Number of invoices	Rand value of invoices	Number of invoices (as at September 2023)	Rand Value of invoices (as at September 2023)
National Departments	33 394	R 1.0 billion	4 914	R 68.2 million
Provincial Departments	48 478	R 5.9 billion	42 851	R 5.7 billion
Total	81 872	R 6.9 billion	47 765	R 6.38 billion

- 4.4 Table 1 above illustrates that the number of invoices paid after 30 days by the national and provincial departments during the second quarter of the 2023/24 financial year amounts to 81 872 invoices to the rand value of R 6.9 billion. This represents an improvement of 30% when compared with the number of invoices paid after 30 days by the national and provincial departments during the first quarter of the 2023/24 financial year which amounted to 117 158 invoices to the rand value of R 11.1 billion.

- 4.5 The number of invoices older than 30 days and not paid by national and provincial departments at the end of September 2023 amounts to 47 765 to the rand value of R 6.38 billion. This represents a regression of 26% 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 2023/24 financial year which amounted to 37 983 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 second quarter of the 2023/24 financial year amounts 33 394 to the rand value of R 1.0 billion, and the number of invoices older than 30 days and not paid by national departments at the end of September 2023 amounts to 4 914 invoices to the rand value of R 68.2 million.
- 4.7 Furthermore, the table indicates that the number of invoices paid after 30 days by provincial departments during the second quarter of the 2023/24 financial year amounts 48 478 invoices to the rand value of R 5.9 billion, and the number of invoices older than 30 days and not paid by provincial departments at the end of September 2023 amounts to 42 851 invoices to the rand value of R 5.7 billion.
- 4.8 The main contributing departments towards the late and/or non-payment of invoices during the second quarter of the 2023/2024 financial year at the national level are the departments of Correctional Services, Defence, Agriculture, Land Reform and Rural Development, Water and Sanitation (Trading Account), and Public Works and Infrastructure (Trading Account).
- 4.9 The main contributing departments towards the late and/or non-payment of invoices during the second quarter of the 2023/2024 financial year at the provincial level are the North-West provincial departments, Gauteng provincial departments, Eastern Cape provincial departments, Kwazulu-Natal provincial departments and the Northern Cape 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 which are the same provided during the first quarter.

National Departments

5. National Departments: Analysis of exceptions reports

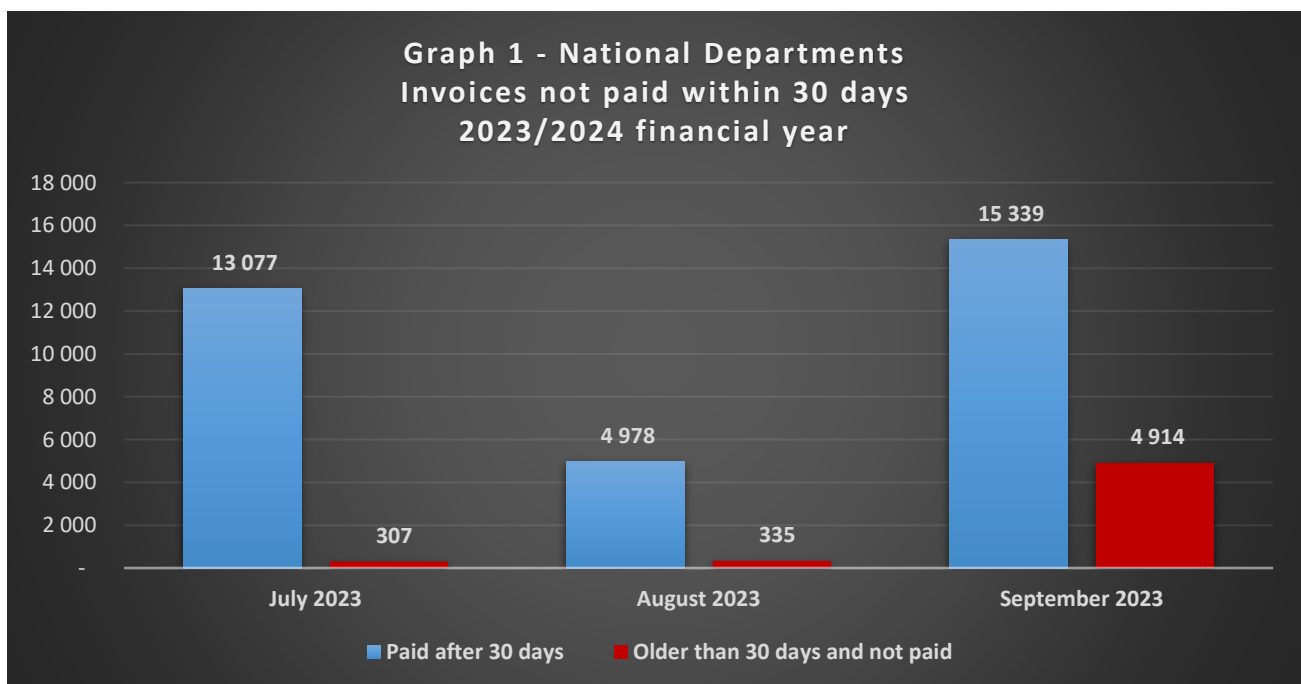
5.1 Submission of Exception Reports

All national departments submitted their 30 days exception reports to the National Treasury as required by Instruction Note No. 34 during the second quarter of the 2023/24 financial year with an average timeous submission rate of 89%. This represents an improvement of 2% when compared with the average timeous submission rate of 91% achieved in the first 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 second 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 second quarter of the 2023/24 financial year. The number of invoices paid after 30 days during the second quarter of the 2023/2024 financial year amounted to 33 394 invoices, and this indicates a regression of 27% or 7 171 invoices when compared to the number of invoices paid after 30 days during the first quarter of the 2023/24 financial year which amounted to 26 223 invoices.

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The number of invoices older than 30 days and not paid by national departments at the end of September 2023 amounted to 4 914 invoices, and this indicates a regression of 3 508 invoices when compared to the number of invoices older than 30 days and not paid at the end of June 2023 which amounted to 1 406 invoices.

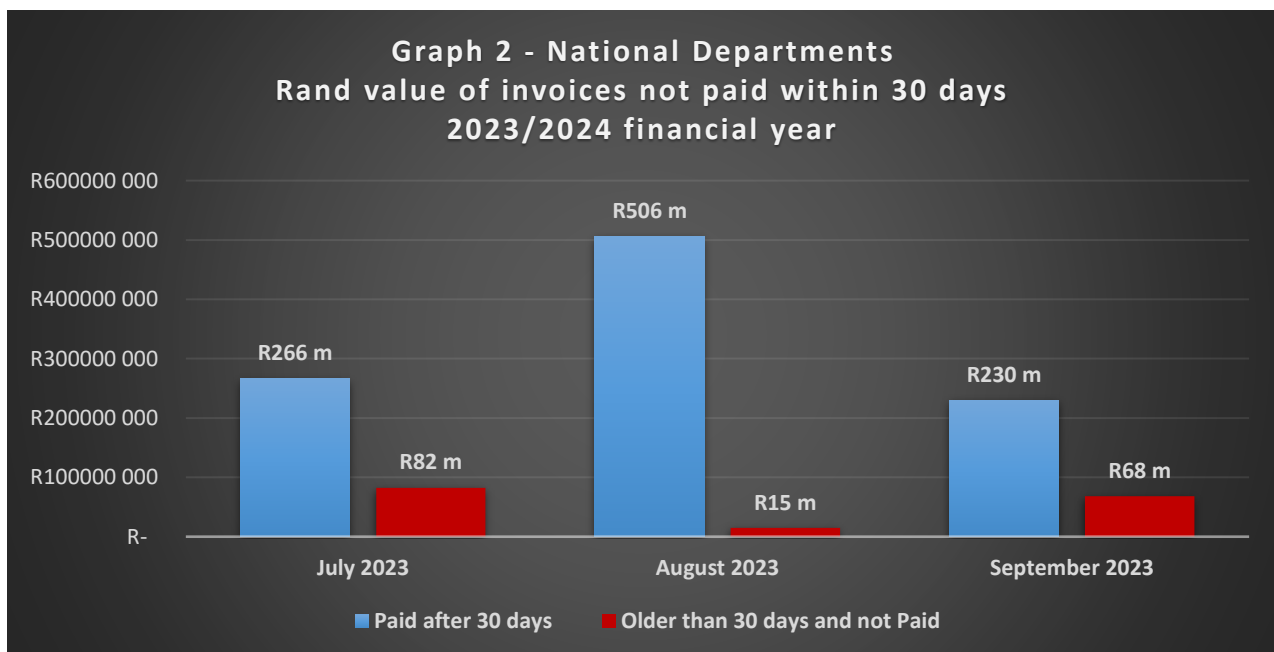
The department of Defence reported 28 978 invoices paid after 30 days to the rand value of R358 million which is the highest during the second quarter of the 2023/2024 financial year, followed by the department of Public Works and Infrastructure (Trading Account) which reported 1220 invoices to the rand value of R87 million.

The main contributing departments towards the number of invoices paid after 30 days during the second quarter of the 2023/2024 financial year are the departments of Defence, Correctional Services, Agriculture, Land Reform and Rural Development, Public Works and Infrastructure (Trading Account) and Water and Sanitation (Trading Account).

The graph also depicts a spike in September 2023 in both the number of invoices paid after 30 days and the number of invoices older than 30 days and not paid. There is a regression in both the number of invoices paid after 30 days and the number of invoices older than 30 days and not paid when comparing the beginning of the second quarter (July 2023) to the end of the second quarter (September 2023).

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

The rand value of invoices paid after 30 days in the second quarter of the 2023/2024 financial year amounted to R 1.0 billion, and this indicates an improvement of R 200 million invoices when compared to the rand value of invoices paid after 30 days in the first quarter of 2023/2024 financial year which amounted to R 1.2 billion.

The rand value of invoices older than 30 days and not paid by national departments at the end of September 2023 amounted to R 68.2 million, and this indicates a slight regression when compared to the rand value of invoices older than 30 days and not paid at the end of June 2023 which amounted to R 68 million.

The graph also depicts a spike in August 2023 in the rand value of invoices paid after 30 days. There is an improvement in both the rand value of invoices paid after 30 days and the rand value of invoices older than 30 days and not paid when comparing the beginning of the second quarter (July 2023) to the end of the second quarter (September 2023).

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 second quarter of the 2023/2024 financial year:

Table 2: National Departments that paid invoices within 30 days

National Departments Departments that paid all legitimate invoices within 30 days in the 2 nd quarter of the 2023/2024 financial year	
1. Basic Education	10. Public Service Commission
2. Communications and Digital Technologies	11. Science and Innovation
3. Higher Education and Training	12. Small Business Development
4. Human Settlements	13. Sports, Arts and Culture
5. Mineral Resources and Energy	14. Statistics SA
6. National School of Government	15. Trade, Industry and Competition
7. Planning, Monitoring and Evaluation	16. Traditional Affairs
8. Presidency	17. Women, Youth and Persons with Disabilities
9. Public Service and Administration	

Table 2 above illustrates the national departments that paid all legitimate invoices within 30 days in the second quarter and these departments had no outstanding or unpaid invoices at the end of the second 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 second 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 September 2023		
Department	Unpaid Invoices	Rand Value of Unpaid Invoices
1. Social Development	1	R 3 k
2. Public Works and Infrastructure (Main Account)	1	R 348 k
3. Agriculture, Land Reform and Rural Development	3	R 93 k
4. Cooperative Governance	4	R 149 k
5. Home Affairs	10	R 57 k
6. Water and Sanitation (Trading Account)	15	R 2.0 million
7. Public Works and Infrastructure (Trading Account)	21	R 8.4 million
8. Water and Sanitation (Main Account)	103	R 728 k
9. Health	202	R 8.2 million
10. Justice and Constitutional Development	4 554	R 48 million

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 September 2023. The Department of Justice and Constitutional Development reported the highest number of invoices older than 30 days which amounted to 4 554 to the rand value of R 48 million. The Department of Health reported 202 outstanding invoices to the rand value of R 8.2 million.

Furthermore, the Departments of Social Development and Public Works and Infrastructure both reported 1 outstanding invoice to the rand value of R 3k and R 348k respectively.

Provincial Departments

6. Provincial Treasuries: Analysis of exceptions reports

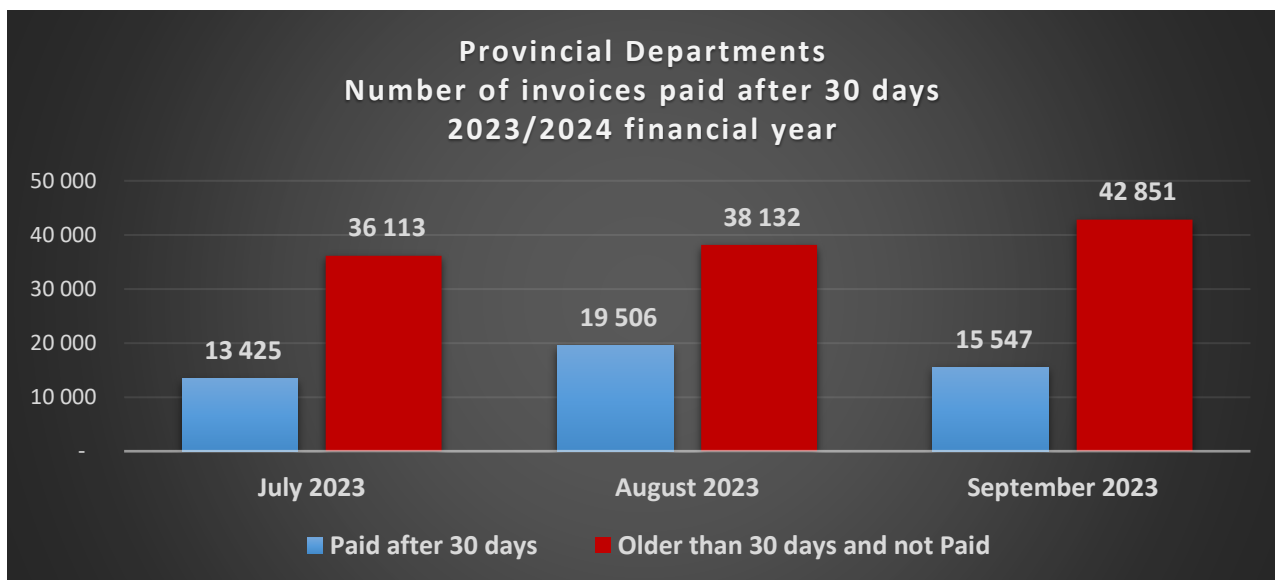
6.1 Submission of Exception Reports

All provincial treasuries submitted exceptions reports to the National Treasury during the second quarter of the 2023/2024 financial year with an average timeous submission rate of 81%, and this represents a regression of 12% when compared with an average timeous submission rate of 93% achieved in the first quarter of the 2023/2024 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 second quarter of the 2023/2024 financial year.

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

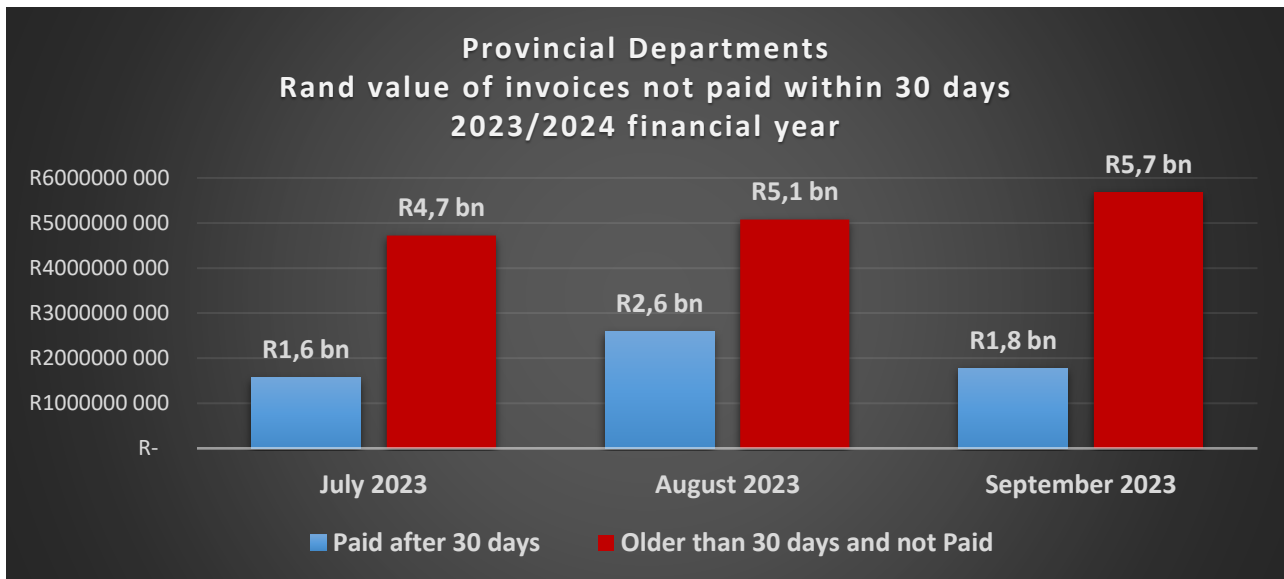


Graph 3 above illustrate a monthly comparison of the number of invoices not paid within 30 days by provincial departments during the second quarter of the 2023/2024 financial year. The number of invoices paid after 30 days during the second quarter of the 2023/2024 financial year amounted to 48 478 invoices, and this indicates an improvement of 47% or 42 495 invoices when compared to the number of invoices paid after 30 days during the first quarter of 2023/2024 financial year which amounted to 90 973 invoices.

The number of invoices older than 30 days and not paid by provincial departments at the end of September 2023 amounted to 42 851 invoices, and this indicates a regression of 17% or 6 274 invoices when compared to the number of invoices older than 30 days and not paid at the end of June 2023 which amounted to 36 577 invoices.

Graph 4 below illustrates the **rand values of invoices not paid within 30 days** by provincial departments during the second 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 second quarter of the 2023/2024 financial year. The rand value of invoices paid after 30 days in the second quarter of the 2023/2024 financial year amounted to R 5.9 billion, and this indicates an improvement of 40% or R 3.9 billion when compared to the rand value of invoices paid after 30 days in the first quarter of 2023/2024 financial year which amounted to R 9.8 billion.

In addition, the rand value of invoices older than 30 days and not paid by provincial departments at the end of September 2023 amounted to R 5.7 billion, and this represents a regression of 18% or R 1.0 billion when compared to the rand value of invoices older than 30 days and not paid at the end of June 2023 which amounted to R 4.7 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 during the second quarter of the 2023/2024 financial year:

Table 5: Provincial Departments – Invoices paid after 30 days

Number and Rand Value of invoices paid after 30 days				
	Number of invoices		Rand Value of invoices	%
Limpopo	163	R	30 438 099	0%
Western Cape	312	R	94 035 504	1%
Mpumalanga	342	R	136 684 154	1%
Northern Cape	1 510	R	185 742 278	3%
Free State	1 515	R	251 170 271	3%
Kwazulu-Natal	5 823	R	1 462 938 231	12%
Gauteng	11 380	R	1 303 462 453	23%
Eastern Cape	12 757	R	1 707 193 633	26%
North West	14 676	R	758 632 495	30%
Total	48 478	R	5 930 297 118	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 second quarter of the 2023/2024 financial year. The total number of invoices paid after 30 days by provincial departments amounted to 48 478 invoices to the rand value of R 5.9 billion.

North-West provincial departments reported the highest number of invoices paid after 30 days which amounted to 14 676 to the rand value of R 759 million in the second quarter of the 2023/24 financial year. Eastern Cape provincial departments reported the second highest invoices paid after 30 days, amounting to 12 757 invoices to the rand value of R 1.7 billion during the same period.

Gauteng provincial departments reported 11 380 invoices paid after 30 days to the rand value of R 1.3 billion which is the third highest. This reflects an improvement of 34 158 invoices or 75% when compared to the number of invoices paid after 30 days during the first quarter of the 2023/2024 financial year where they were recorded as the highest.

Limpopo provincial departments once again reported the least number of invoices paid after 30 days which amounted to 163 invoices to the rand value of R 30 million during the second quarter of the 2023/24 financial year. Western Cape provincial departments reported 312 invoices paid after 30 days to the rand value of R 94 million during the same period which is the second lowest.

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 second quarter of the 2023/24 financial year:

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

Number and Rand Value of invoices older than 30 days not paid			
	Number of invoices	Rand Value of invoices	%
Western Cape	2	R 52 979	0%
Limpopo	18	R 274 157	0%
Mpumalanga	894	R 14 652 089	2%
Free State	1 086	R 262 623 400	3%
North West	2 469	R 149 800 145	6%
Kwazulu-Natal	2 491	R 619 921 631	6%
Gauteng	4 271	R 1 275 048 755	10%
Northern Cape	5 129	R 696 560 397	12%
Eastern Cape	26 491	R 2 664 830 944	62%
Total	42 851	R 5 683 764 497	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 second quarter of the 2023/2024 financial year. The total number of invoices older than 30 days and not paid by provincial departments at the end of September 2023 amounted to 42 851 invoices to the rand value of R 5.7 billion.

Eastern Cape provincial departments once again reported the highest unpaid invoices amounting to 26 491 to the rand value of R 2.7 billion at the end of September 2023. This reflects a regression of 702 invoices or 3% when compared to the number of invoices older than 30 days and not paid at the end of June 2023 which amounted to 25 789 to the rand value of R 2.3 billion. Northern Cape provincial departments again reported the second highest unpaid invoices amounting to 5 129 invoices to the rand value of R 697 million during the same period. Gauteng provincial departments reported 4 271 unpaid invoices to the rand value of R 1.3 billion during the same period which is recorded the third highest.

Western Cape provincial departments reported two (2) unpaid invoices to the rand value of R 53 million which is recorded as the lowest during the second quarter of the 2023/2024 financial year. Limpopo provincial departments reported eighteen (18) unpaid invoices to the rand value of R 274 million which is recorded as the second lowest.

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 second 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 second quarter of the 2023/2024 financial year from national and provincial departments indicates that provincial departments are responsible for 59% of invoices paid after 30 days and also responsible for 90% of invoices older than 30 days and not paid at the end of September 2023.

The analysis further indicated that the main contributing departments towards the late and/or non-payment of invoices during the second quarter of the 2023/2024 financial year at the provincial level are the North-West provincial departments, Gauteng provincial departments, Eastern Cape provincial departments, Kwazulu-Natal provincial departments and the Northern Cape provincial departments. The Health sector remains the main contributor at the provincial level.

In addition, national departments are responsible for 41% of invoices paid after 30 days during the second quarter of the 2023/24 financial year, and they are also responsible for 10% of invoices older than 30 days and not paid at the end of September 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 (Property Management Trading Entity (PMTE)), Correctional Services, Water and Sanitation (Trading Account), and Agriculture, Land Reform and Rural Development.

The following analysis should be noted:

- a) provincial departments are responsible for the majority of late and 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.