



**national treasury**

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

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

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**THIRD QUARTER REPORT (OCTOBER 2023 – DECEMBER 2023)**

**NATIONAL TREASURY**

THIRD 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 compliance by national and provincial departments with the legislative requirements to pay supplier's invoices within 30 days during the third 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 7<sup>th</sup> day of each month and Provincial treasuries to submit to the National Treasury by the 15<sup>th</sup> 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 third quarter of the 2023/24 financial year with an average timeous submission rate of 81%. This represents a regression of 8% when compared with the average timeous submission rate of 89% achieved in the second quarter of the 2023/24 financial year.
- 4.2 All provincial treasuries submitted their exceptions reports to the National Treasury during the third quarter of the 2023/24 financial year with an average timeous submission rate of 67%, and this represents a regression of 14% when compared with the average timeous submission rate of 81% achieved in the second quarter of the 2023/24 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 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 3 FY2023/2024	Paid after 30 days		Older than 30 days and not paid	
	Number of invoices	Rand value of invoices	Number of invoices (December 2023)	Rand Value of invoices (December 2023)
National Departments	22 849	R 1 447 001 663	2 868	R 37 958 789
Provincial Departments	62 332	R 7 146 755 845	48 280	R 6 587 658 069
<b>Total</b>	<b>85 181</b>	<b>R 8 593 757 508</b>	<b>51 148</b>	<b>R 6 625 616 858</b>

- 4.4 Table 1 above illustrates that the number of invoices paid after 30 days by the national and provincial departments during the third quarter of the 2023/24 financial year amounts to 85 181 invoices to the Rand value of R 8.6 billion. This represents a regression of 4% or 3 309 invoices when compared with the number of invoices paid after 30 days by the national and provincial departments during the second quarter of the 2023/24 financial year which amounted to 81 872 invoices to the Rand value of R 6.9 billion.

- 4.5 The number of invoices older than 30 days and not paid by national and provincial departments at the end of December 2023 amounts to 51 148 to the Rand value of R 6.6 billion. This represents a regression of 7% or 3 383 invoices when compared with the number of invoices older than 30 days and not paid by the national and provincial departments at the end of the second quarter of the 2023/24 financial year which amounted to 47 765 invoices to the Rand value of R 5.8 billion.
- 4.6 Furthermore, the table indicates that the number of invoices paid after 30 days by national departments during the third quarter of the 2023/24 financial year amounts to 22 849 to the rand value of R 1.4 billion, and the number of invoices older than 30 days and not paid by national departments at the end of December 2023 amounts to 2 868 invoices to the Rand value of R 38 million.
- 4.7 In addition, the number of invoices paid after 30 days by provincial departments during the third quarter of the 2023/24 financial year amounts to 62 332 invoices to the Rand value of R 7.1 billion, and the number of invoices older than 30 days and not paid by provincial departments at the end of December 2023 amounts to 48 280 invoices to the Rand value of R 6.6 billion.
- 4.8 The main contributing departments towards the late and/or non-payment of invoices during the third quarter of the 2023/2024 financial year at the national level are the departments of Defence, Agriculture, Public Works, Military Veterans, Water and Sanitation (Trading Account), Police, Correctional Services, Transport, Justice, Agriculture, Land Reform and Rural Development, Office of the Chief Justice, and Government Communication and Information Systems.
- 4.9 The main contributing departments towards the late and/or non-payment of invoices during the third quarter of the 2023/2024 financial year at the provincial level are the Eastern Cape provincial departments, Gauteng provincial departments, North-West provincial departments, KwaZulu-Natal provincial departments, Northern Cape provincial departments, and the Free State provincial departments.
- 4.10 The most common reasons provided by both the national and provincial departments for the late and/or non-payment of invoices are interruptions caused by poor internal controls, internal capacity, and budget constraints which are the same as those provided in the second quarter.

## National Departments

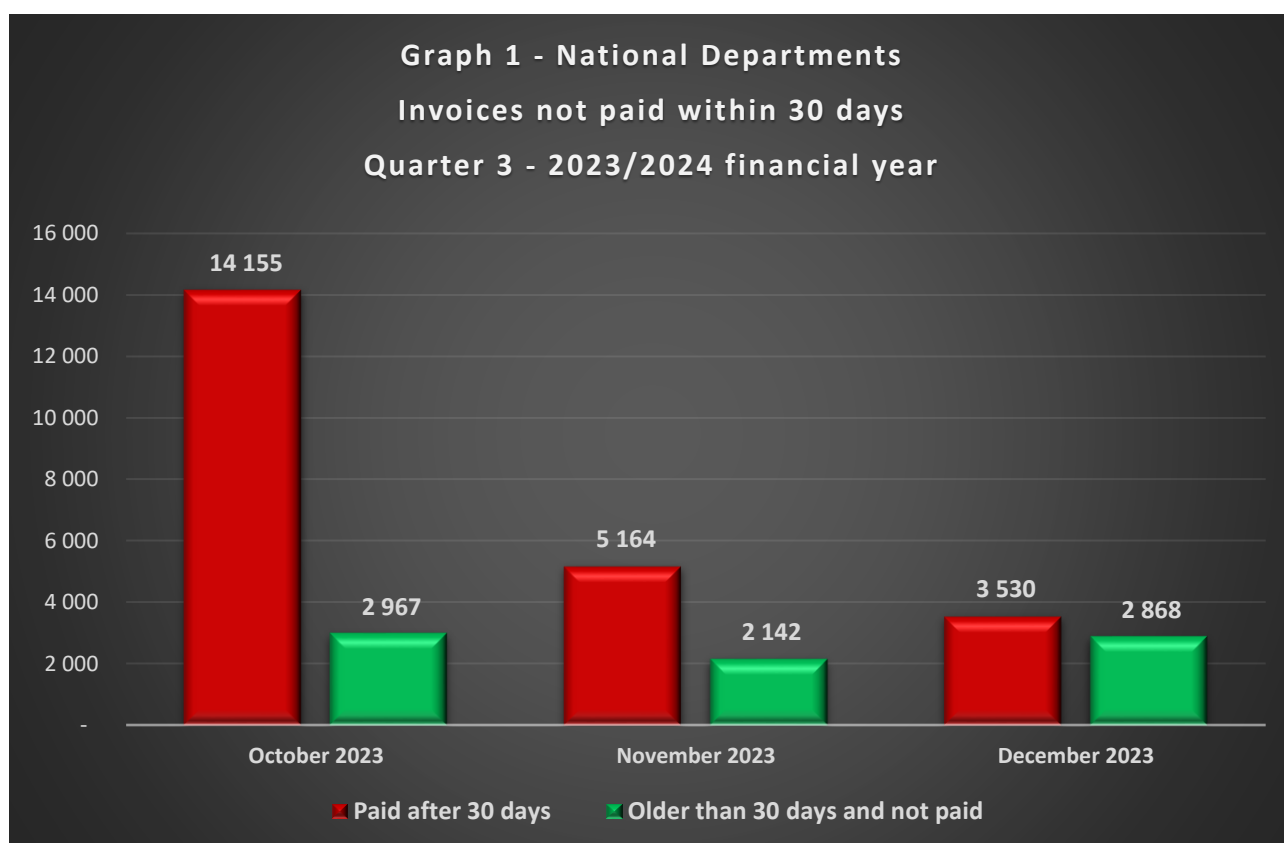
### 5. National Departments: Analysis of exceptions reports

#### 5.1 Submission of Exception Reports

All national departments submitted their 30 days exception reports to the National Treasury as required by Treasury Instruction No. 34 during the third quarter of the 2023/24 financial year with an average timeous submission rate of 81%. This represents a regression of 8% when compared with the average timeous submission rate of 89% achieved in the second quarter of the 2023/24 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 third quarter of the 2023/24 financial year.



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

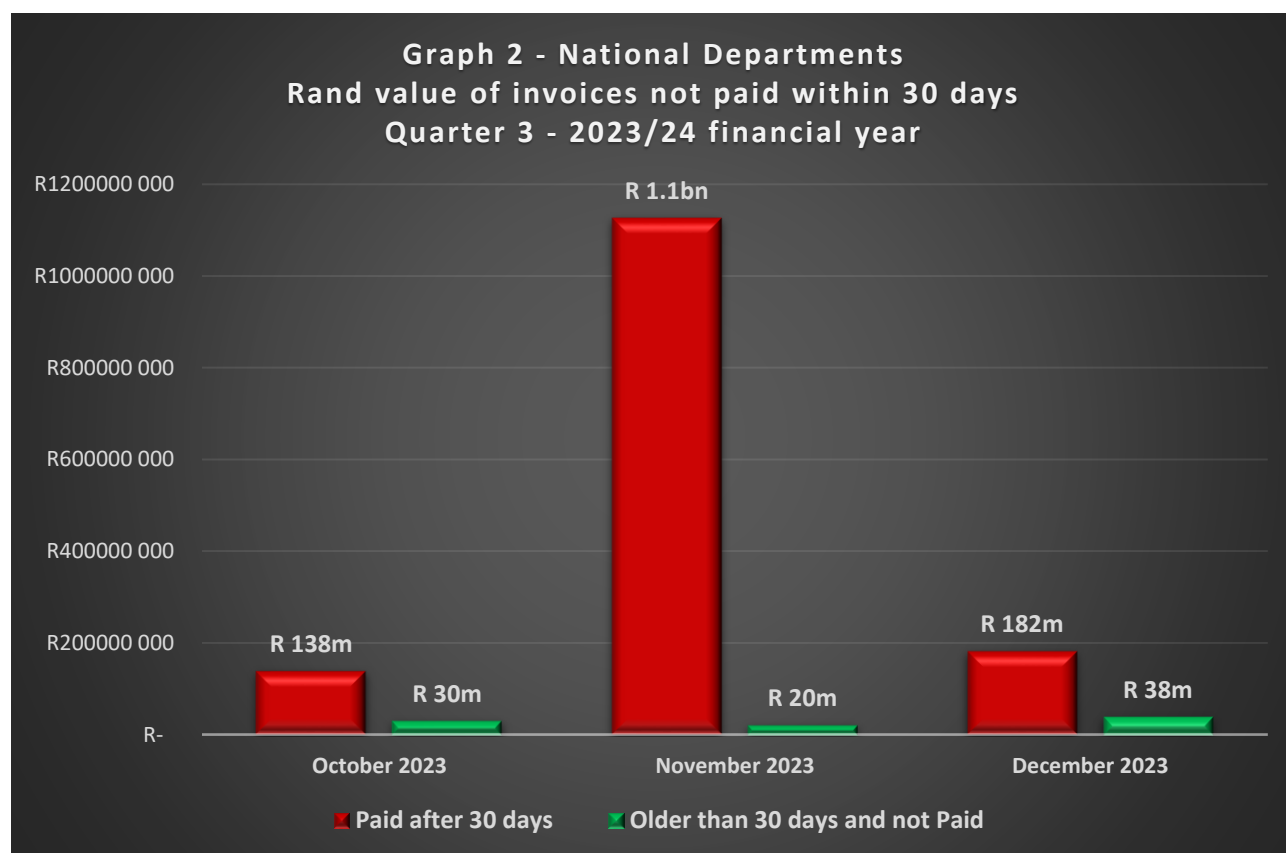
Graph 1 above illustrates a monthly comparison of the number of invoices not paid within 30 days by national departments during the third quarter of the 2023/24 financial year. The number of invoices paid after 30 days during the third quarter of the 2023/2024 financial year amounted to 22 849 invoices, and this indicates an improvement of 32% or 10 545 invoices when compared to the number of invoices paid after 30 days during the second quarter of the 2023/24 financial year which amounted to 33 394 invoices.

The number of invoices older than 30 days and not paid by national departments at the end of December 2023 amounted to 2 868 invoices, and this indicates an improvement of 42% or 2 046 invoices when compared to the number of invoices older than 30 days and not paid at the end of September 2023 which amounted to 4 914 invoices.

The main contributing departments towards the number of invoices paid after 30 days during the third quarter of the 2023/2024 financial year are the departments of Defence (18 282 invoices), the department of Public Works and Infrastructure (1 537 invoices), Military Veterans (985 invoices), Water and Sanitation (479 invoices), Police (463 invoices), Correctional Services (242 invoices), Transport (218 invoices), Justice and Constitutional Development (136 invoices).

The main contributing departments towards the number of invoices older than 30 days and not paid at the end of December 2023 are the departments of Justice and Constitutional Development (2 531 invoices), Public Works and Infrastructure (232 invoices) and Water and Sanitation (73 invoices), and Home Affairs (25 invoices)

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



The Rand value of invoices paid after 30 days by national departments in the third quarter of the 2023/2024 financial year amounted to R 1.4 billion, and this indicates a regression of R 445 million when compared to the Rand value of invoices paid after 30 days in the second quarter of the 2023/2024 financial year which amounted to R 1.0 billion.

The Rand value of invoices older than 30 days and not paid by national departments at the end of December 2023 amounted to R 38 million, and this indicates an improvement by R 30 million when compared to the Rand value of invoices older than 30 days and not paid at the end of December 2023 which amounted to R 68 million.

### 5.3 National Departments that paid all their invoices

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

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

<b>National Departments</b> <b>Departments that paid all legitimate invoices within 30 days in the 3<sup>rd</sup> quarter of the 2023/2024 financial year</b>	
1. Basic Education	11. Public Service and Administration
2. Communications and Digital Technologies	12. Public Service Commission
3. Employment and Labour	13. Science and Innovation
4. Forestry, Fisheries and Environment	14. Small Business Development
5. Higher Education and Training	15. Sports, Arts and Culture
6. Independent Police Investigative Directorate	16. Statistics South Africa
7. Mineral Resources and Energy	17. Trade, Industry and Competition
8. National School of Government	18. Traditional Affairs
9. Planning, Monitoring and Evaluation	19. Women, Youth and Persons with Disabilities
10. Public Enterprises	

Table 2 above illustrates the national departments that paid all legitimate invoices within 30 days in the third quarter and these departments had no outstanding or unpaid invoices at the end of the third 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 third 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 December 2023		
Department	Unpaid Invoices	Rand Value of Unpaid Invoices
1. Public Works and Infrastructure (Main Account)	1	R 13 790
2. Social Development	1	R 65 626
3. Health	5	R 832 605
4. Home affairs	25	R 150 130
5. Water and Sanitation (Trading Account)	73	R 119 008
6. Public Works and Infrastructure (Trading Account)	232	R 20 181 187
7. Justice and Constitutional Development	2 531	R 16 596 443
<b>Total</b>	<b>2 868</b>	<b>R 37 958 789</b>

Table 3 above illustrates national departments that reported the number and rand value of invoices older than 30 days and not paid at the end of December 2023. The total number of invoices older than 30 days and not paid at the of December 2023 by national department amounts to 2 868 to the Rand value of R38 million.

The Department of Justice and Constitutional Development reported the highest number of invoices older than 30 days which amounted to 2 531 to the Rand value of R 17 million. The Department of Public Works and Infrastructure (Trading Account) reported 232 unpaid invoices to the Rand value of R 20 million.

The department of Water and Sanitation (Trading Account) reported 73 unpaid invoices to the Rand value of R 119 008. The department of Home Affairs reported 25 unpaid invoices to the Rand value of R 150 130, and the department of Health reported five (5) unpaid invoices to the Rand value of R832 605.

The Departments of Public Works and Infrastructure and Social Development both reported one (1) unpaid invoice to the Rand value of R 65 626 and R 13 790 respectively.

## Provincial Departments

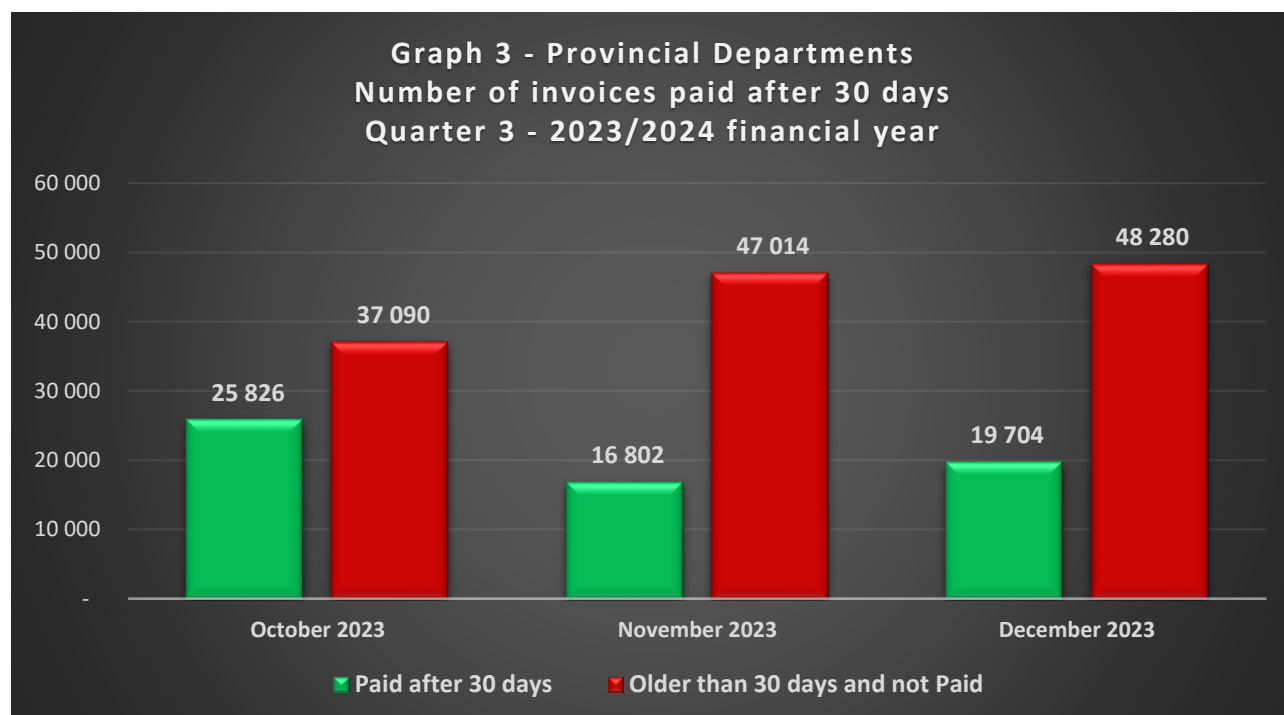
### 6. Provincial Treasuries: Analysis of exceptions reports

#### 6.1 Submission of Exception Reports

All provincial treasuries submitted their exceptions reports to the National Treasury during the third quarter of the 2023/24 financial year with an average timeous submission rate of 67%, and this represents a regression of 14% when compared with the average timeous submission rate of 81% achieved in the second quarter of the 2023/24 financial year.

#### 6.2 Invoices not paid within 30 days

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

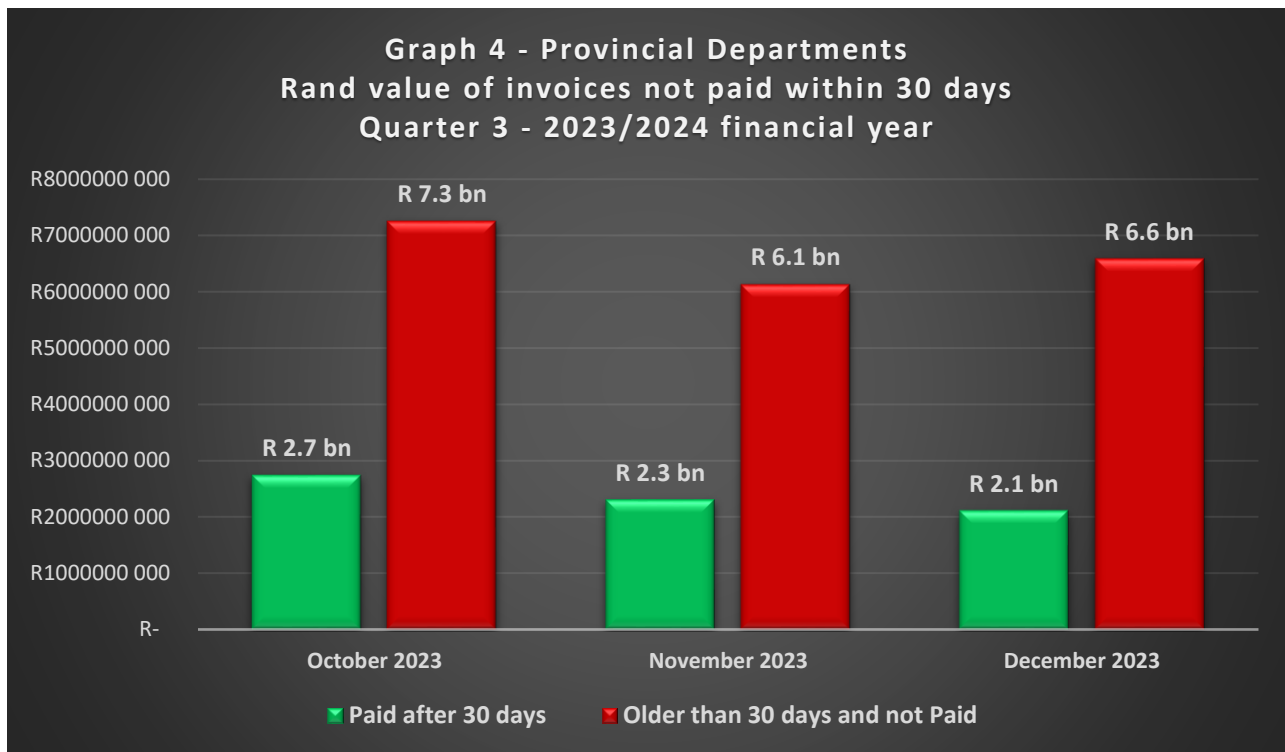


#### **Graph 3: Provincial Departments – Number of Invoices not paid within 30 Days**

Graph 3 above illustrates a monthly comparison of the number of invoices not paid within 30 days by provincial departments during the third quarter of the 2023/2024 financial year. The number of invoices paid after 30 days during the third quarter of the 2023/2024 financial year amounted to 62 332 invoices, and this indicates a regression of 29% or 13 854 invoices when compared to the number of invoices paid after 30 days during the second quarter of the 2023/2024 financial year which amounted to 48 478 invoices.

The number of invoices older than 30 days and not paid by provincial departments at the end of December 2023 amounted to 42 280 invoices, and this indicates a regression of 13% or 5 429 invoices when compared to the number of invoices older than 30 days and not paid at the end of September 2023 which amounted to 42 851 invoices.

**Graph 4** below illustrates the **Rand values of invoices not paid within 30 days** by provincial departments during the third 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 third quarter of the 2023/2024 financial year. The Rand value of invoices paid after 30 days in the third quarter of the 2023/2024 financial year amounted to R 7.1 billion, and this indicates a regression of 21% or R 1.2 billion when compared to the Rand value of invoices paid after 30 days in the third quarter of the 2023/2024 financial year which amounted to R 5.9 billion.

In addition, the rand value of invoices older than 30 days and not paid by provincial departments at the end of December 2023 amounted to R 6.6 billion, and this represents a regression of 16% or R 904 million when compared to the Rand value of invoices older than 30 days and not paid at the end of September 2023 which amounted to R 5.7 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 third quarter of the 2023/2024 financial year:

**Table 5: Provincial Departments – Invoices paid after 30 days**

Provincial Departments			
Number and Rand Value of invoices paid after 30 days			
Provincial Government	Number of invoices	Rand Value of invoices	%
Mpumalanga	105	R 347 744 242	0%
Limpopo	209	R 58 043 513	0%
Western Cape	315	R 79 404 388	1%
Free State	1 430	R 136 640 704	2%
Northern Cape	1 879	R 195 584 667	3%
Kwa-Zulu Natal	9 895	R 2 272 457 654	16%
North-West	12 282	R 744 854 401	20%
Gauteng	17 380	R 1 700 874 069	28%
Eastern Cape	18 837	R 1 611 152 206	30%
<b>Total</b>	<b>62 332</b>	<b>R 7 146 755 845</b>	<b>100%</b>

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 third quarter of the 2023/2024 financial year. The total number of invoices paid after 30 days by provincial departments amounted to 62 332 invoices to the Rand value of R 7.1 billion.

Eastern Cape provincial departments reported the highest number of invoices paid after 30 days which amounted to 18 837 invoices to the Rand value of R 1.6 billion. Gauteng provincial departments reported the second highest invoices paid after 30 days which amounted to 17 380 invoices to the Rand value of R 1.7 billion during the same period.

North-West provincial departments reported 12 282 invoices paid after 30 days to the Rand value of R 745 million. Kwa-Zulu Natal provincial departments reported 9 895 invoices paid after 30 days to the Rand value of R 2.3 billion. Northern Cape provincial departments reported 1 879 invoices paid after 30 days to the Rand value of R 196 million. Free State provincial departments reported 1 430 invoices paid after 30 days to the Rand value of R 137 million.

Mpumalanga provincial departments reported the least number of invoices paid after 30 days which amounted to 105 invoices to the Rand value of R 347 million. Limpopo provincial departments reported 209 invoices paid after 30 days to the Rand value of R 58 million during the same period.

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

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

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

Provincial Departments			
Number and Rand Value of invoices older than 30 days not paid			
Provincial Government	Number of invoices	Rand Value of invoices	%
Limpopo	4	R159 145	0%
Western Cape	13	R1 542 367	0%
Mpumalanga	206	R22 642 002	0%
Kwazulu-Natal	2 425	R867 936 681	5%
Free State	2 893	R306 333 270	6%
Northern Cape	3 198	R643 432 725	7%
Gauteng	3 257	R1 037 996 181	7%
North-West	4 948	R290 674 972	10%
Eastern Cape	31 336	R3 416 940 726	65%
<b>Total</b>	<b>48 280</b>	<b>R6 587 658 069</b>	<b>100%</b>

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 third 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 December 2023 amounted to 48 280 invoices to the Rand value of R 6.6 billion.

Eastern Cape provincial departments once again reported the highest unpaid invoices amounting to 31 336 to the Rand value of R 3.4 billion at the end of December 2023. North-West provincial departments reported the second highest unpaid invoices amounting to 4 948 invoices to the Rand value of R 291 million during the same period. Gauteng provincial departments reported 3 257 unpaid invoices to the Rand value of R 1.0 billion.

Limpopo provincial departments reported the least number of unpaid invoices amounting to four (4) to the Rand value of R 159 145. Western Cape provincial departments reported 13 unpaid invoices to the Rand value of R 1.5 million. Mpumalanga provincial departments reported 206 unpaid invoices to the Rand value of R 23 million.

## **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 third 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 third quarter of the 2023/2024 financial year from national and provincial departments indicates that provincial departments are responsible for 73% of invoices paid after 30 days and are also responsible for 94% of invoices older than 30 days and not paid at the end of December 2023.

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

In addition, national departments are responsible for 27% of invoices paid after 30 days during the third quarter of the 2023/24 financial year, and they are also responsible for 6% of invoices older than 30 days and not paid at the end of December 2023.

The main contributing departments towards the late and/or non-payment of invoices at the national level are the departments of Defence, Agriculture, Public Works, Military Veterans, Water and Sanitation (Trading Account), Police, Correctional Services, Transport, Justice, Agriculture, Land Reform and Rural Development, Office of the Chief Justice, and Government Communication and Information Systems.

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 impact the sustainability of the SMMEs severely;
- 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.