

# NON-COMPLIANCE WITH 30 DAYS PAYMENT RULE

ROLE AND MANDATE OF THE NATIONAL TREASURY

Portfolio Committee on Small Business Development

PRESENTED BY:

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



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# OUTLINE

- Mandate
- Legislative Requirements for National Treasury
- Legislative Requirements for Accounting Officers
- Background
- Status
- Initiatives by National Treasury
- Recommendations
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- Provincial departments – Q2 Summary Analysis
- Common reasons for late/non-payment

## MANDATE OF NATIONAL TREASURY

- Mandate of the National Treasury (NT) in terms of the PFMA, Treasury Regulations and Instruction;
- Role of the NT with regard to non-compliance with the requirements to pay supplier's invoices within 30 days by national and provincial departments;
- Keep the relevant stakeholders informed on the level of non-compliance
- Provide the latest statistics and performance by national and provincial departments; and
- Initiatives by NT to improve the level of compliance with the requirements to pay supplier's invoices within 30 days.

# MANDATE OF NATIONAL TREASURY

- NT may also assist institutions in building their capacity for effective, efficient and transparent financial management;
- NT may issue Regulations and/or Instructions, section 76 of the PFMA

## LEGISLATIVE REQUIREMENTS FOR NATIONAL TREASURY

- In terms of section 6(1)(g) of the PFMA, the NT must promote and enforce transparency and effective management of revenue, expenditure, assets and liabilities of institutions that must comply with the PFMA;
- NT is also mandated in terms of section 6(2)(a) of the PFMA to prescribe uniform treasury norms and standards which must be enforced by NT including any prescribed standards of generally recognised accounting practice and uniform classification systems;
- Section 6(2)(c) of the PFMA provides that the NT must monitor and assess the implementation of the PFMA, including any prescribed norms and standards, in provincial departments, public entities and constitutional institutions;

# LEGISLATIVE REQUIREMENTS FOR ACCOUNTING OFFICERS

- **Section 38(1)(f) of the PFMA** requires accounting officers of departments to settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period.
- **Treasury Regulation 8.2.3** provides that unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, the date of settlement or court judgement.
- **The National Treasury Instruction No. 34 issued in November 2011** requires accounting officers of departments to submit exception reports to their relevant treasuries by the 7th day of each month and Provincial treasuries to submit reports on provincial departments to the NT 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.

## BACKGROUND

- Cabinet resolved in 2009 that departments must implement mechanisms to ensure that invoices are paid within 30 days from the date of receipt because of the high level of non-compliance.
- It was also resolved at FOSAD for the NT to provide the Forum with regular reports on non-compliance with the requirement to pay invoices within 30 days.
- Pursuant to the Cabinet and FOSAD resolutions, the NT reports quarterly to FOSAD and other relevant structures of government on the status of non-compliance with TR 8.2.3.

## STATUS

- NT has been compiling quarterly and annual reports since inception of the Treasury Instruction No.34
- Quarterly reports – FOSAD, PSC, DSBD, DPME and PAGs
- Annual reports – SCOPA, SCoF, FOSAD, PSC, DSBD, DPME and PAGs
- Extract from the annual report forms part of the Cabinet Memorandum on matters related to financial management submitted each year
- SCOPA and portfolio committees invite NT to attend meetings



## INITIATIVES BY THE NATIONAL TREASURY

- Communiqués by the NT are as follows:
  - **2010** – issued a circular to departments urging AO to institute measures to ensure that invoices are paid within 30 days.
  - **2011** – issued Treasury Instruction No. 34 requiring departments to submit exception reports with information on the number and rand value of invoices not paid within 30 days with reasons for non and/or late payment.
  - **2018** – issued a circular requesting head of departments to strengthen internal controls measures, urged AO to institute disciplinary steps against employees who undermine TR 8.2.3 or the internal controls, and remind AO that failure to take disciplinary steps against employees constitutes non-compliance.
- NT issued enforcement letters to AO – Discontinued due to lack of response from AOs
- Joint Health Action Plan Workshop to improve the quality of health care and address challenges experienced by the health sector

# INITIATIVES BY THE NATIONAL TREASURY

- Provincial Roadshow by the Deputy Minister of Finance to:
  - Encourage departments to adhere to commitments made on payment of invoices within 30 day period; and
  - Educate departments on the critical element to support SMMEs who do business with the state.
- Supporting departments in the development of the invoice tracking system.
- Providing recommendations to key stakeholders, Cabinet and oversight structures.
- Establishment of the 30-day queries Hotline email address [30daysqueries@treasury.gov.za](mailto:30daysqueries@treasury.gov.za) to receive non-payment queries from suppliers.
- Facilitate non-payment of invoices queries from suppliers by following up with non-paying government institutions on those reported invoices and providing feedback to the suppliers.
- Identification of root causes for late and/or non-payment of invoices and providing recommendations to departments to remedy causes of late payment.

## INITIATIVES ON THE PIPELINE

- Revision of Instruction No. 34 to request for additional information and extension of application to public entities.
- Publication of guideline on timeous payment of invoices.
- Inclusion of reporting requirements in the annual reports of departments and public entities which will be subject to audit as per the new PFMA Compliance Reporting.

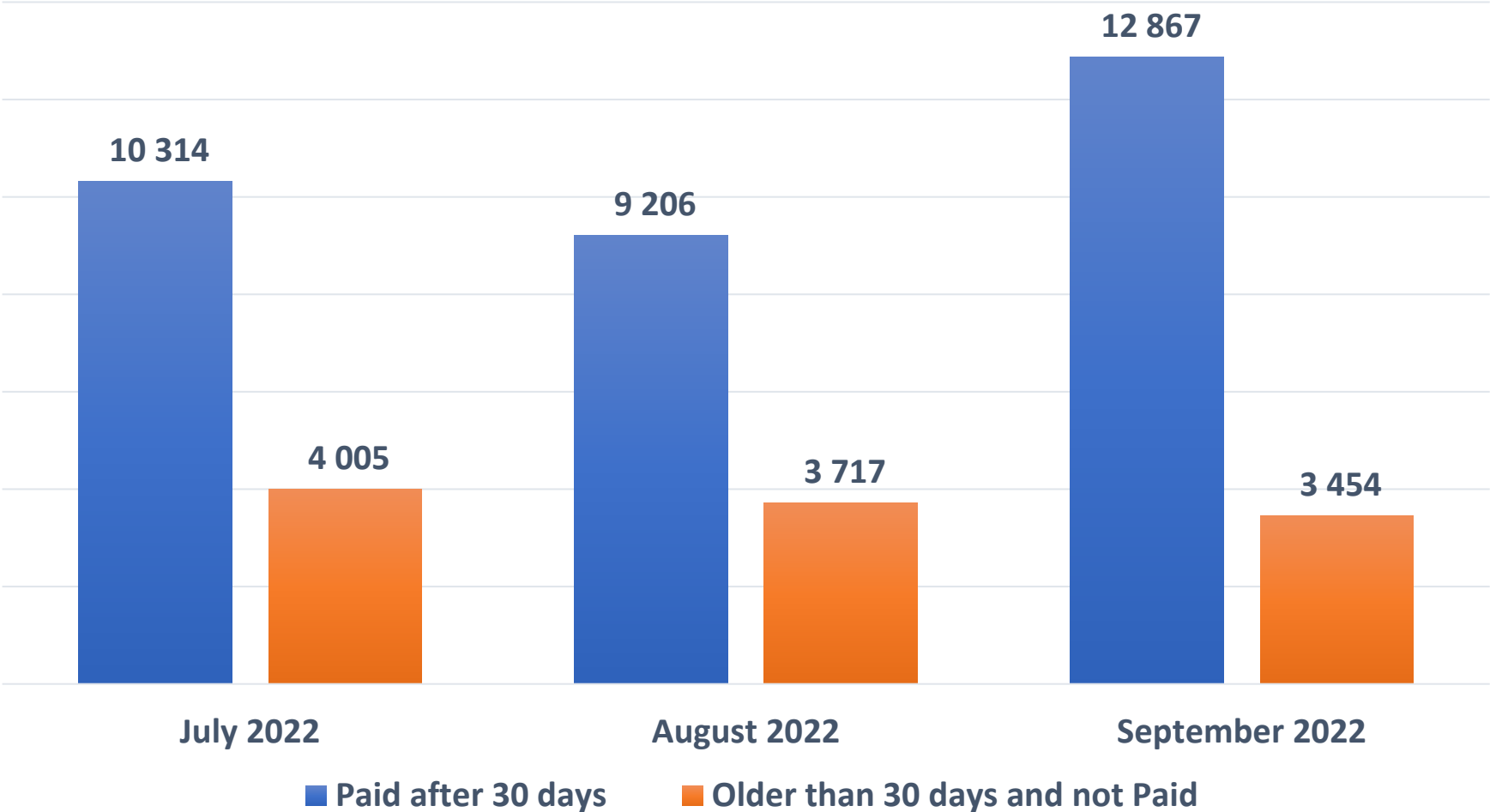
## RECOMMENDATIONS

- Payment of invoices within 30 days be included in the performance agreements of AO, CFOs and other officials working in this area.
- Disciplinary actions be taken against officials who fail to comply with the requirements to pay invoices within 30 days.
- AO and CFO to address the root causes of the late and/or non-payment of invoices to improve compliance with TR 8.2.3.
- Payment of suppliers within 30 days be a standing agenda item for discussion at every EXCO meeting of departments.
- AO to improve internal control processes to ensure compliance with the legislative requirement to invoices within 30 days.

# ANALYSIS

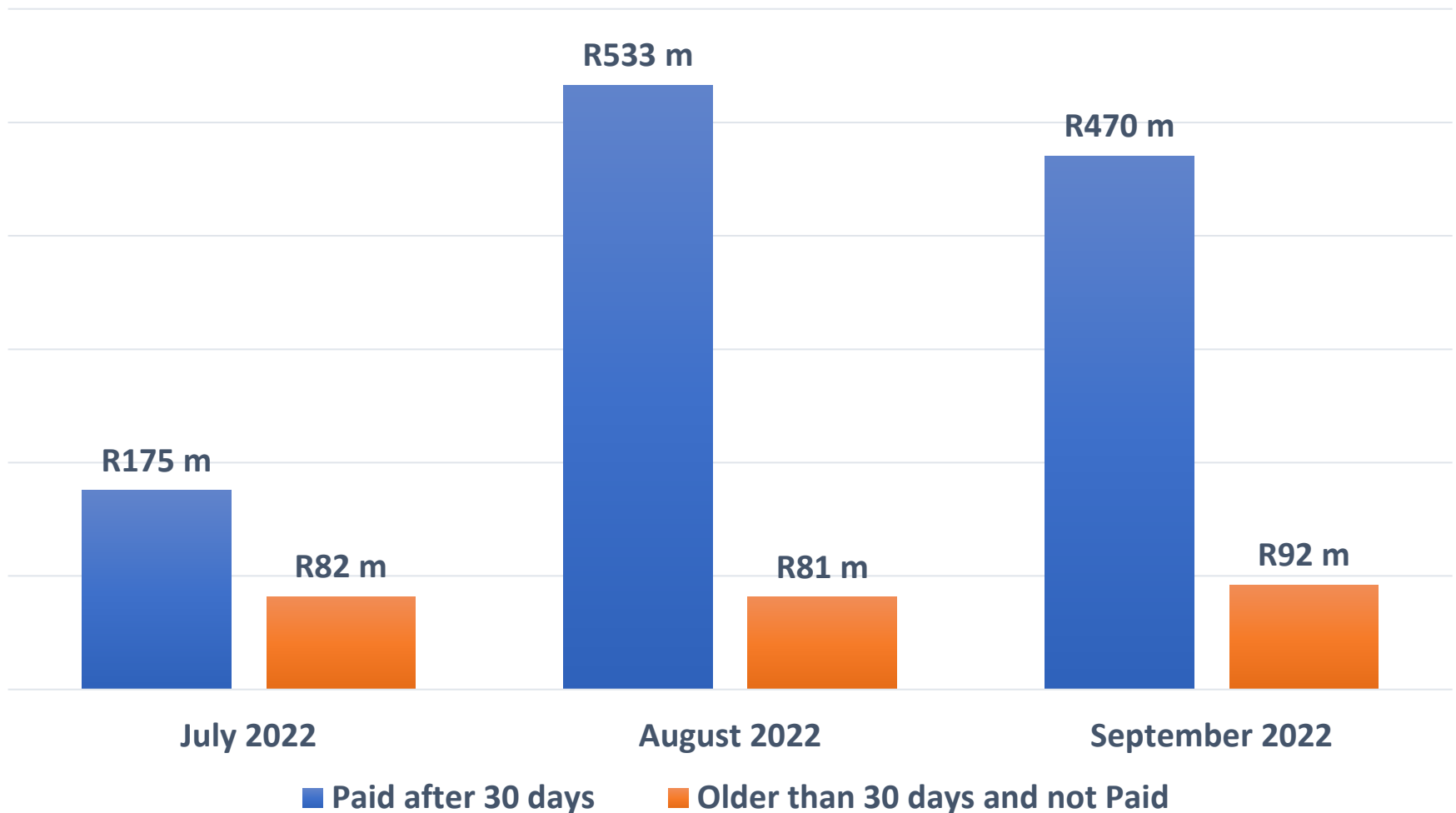
# NATIONAL DEPARTMENTS ANALYSIS

## GRAPH 1: NATIONAL DEPARTMENTS NUMBER OF INVOICES NOT PAID WITHIN 30 DAYS



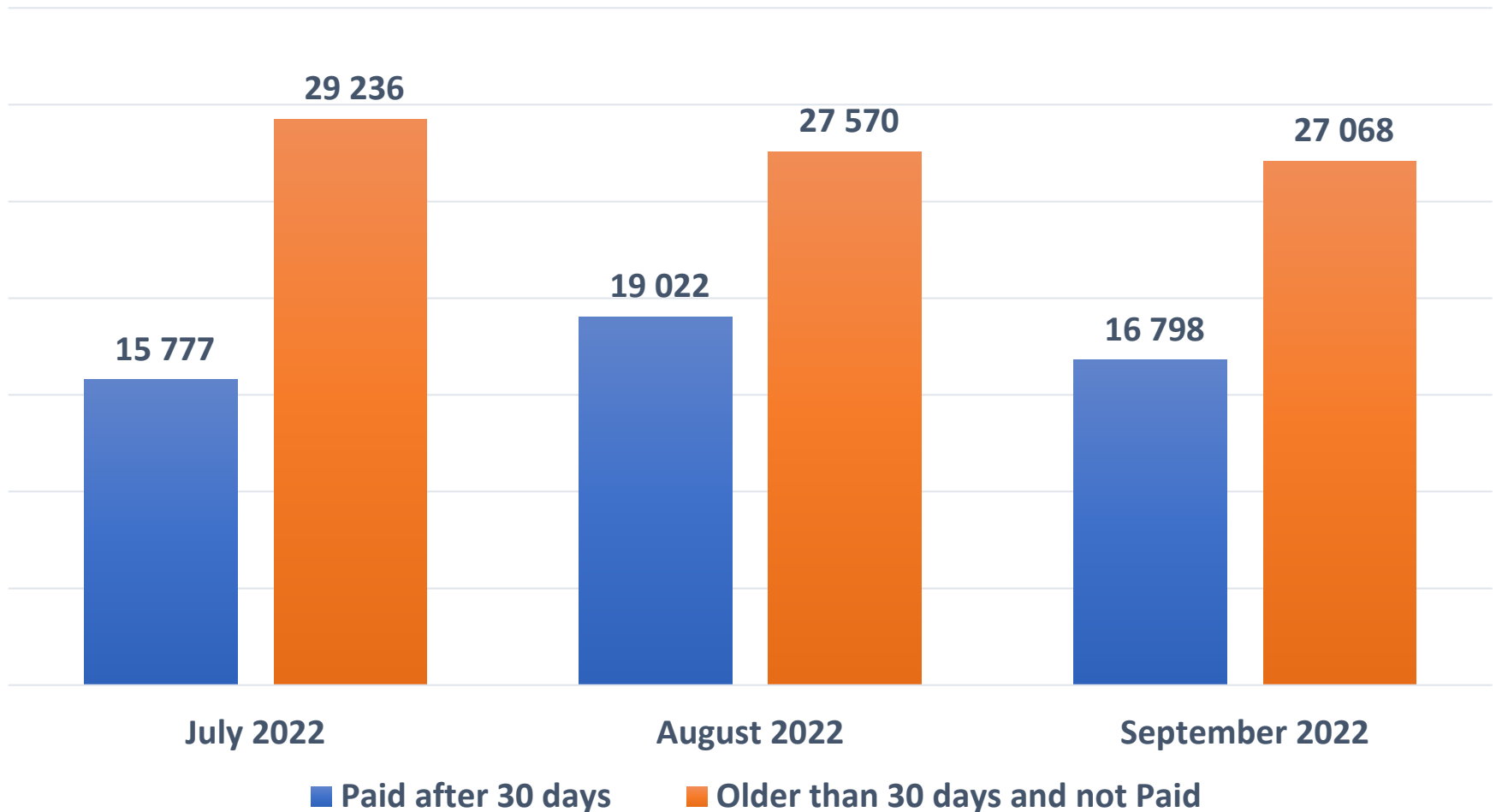
## NATIONAL DEPARTMENTS ANALYSIS

GRAPH 2: NATIONAL DEPARTMENTS  
RAND VALUE OF INVOICES NOT PAID WITHIN 30 DAYS



# PROVINCIAL DEPARTMENTS ANALYSIS

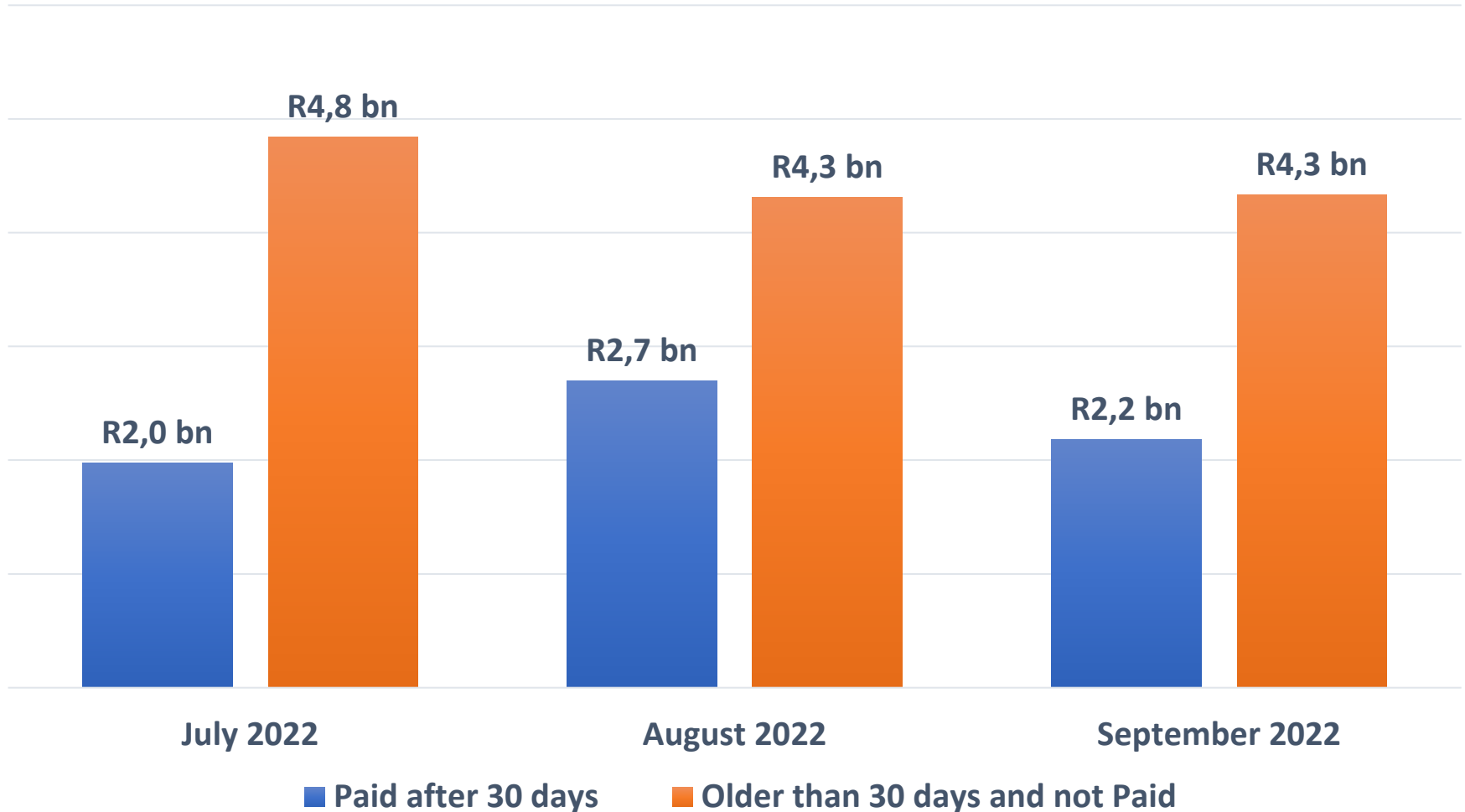
GRAPH 3: PROVINCIAL DEPARTMENTS  
NUMBER OF INVOICES PAID AFTER 30 DAYS





# PROVINCIAL DEPARTMENTS ANALYSIS

GRAPH 4: PROVINCIAL DEPARTMENTS  
RAND VALUE OF INVOICES NOT PAID WITHIN 30 DAYS



## COMMON REASONS FOR LATE/NON-PAYMENT

- Misfiled, misplaced or unrecorded invoices
- Inadequate budget and/or cash flow management
- Inadequate internal capacity
- IT system issues (BAS, Logis and SafetyWeb, etc.)
- Standard Chart of Account (SCoA) related system problems
- Unresolved invoice discrepancies
- Incomplete supporting documents
- Adequate system

**THE END**