

TO ALL : ACCOUNTING OFFICERS DEPARTMENTS
: HEAD OFFICIALS OF ALL PROVINCIAL TREASURIES

NATIONAL TREASURY INSTRUCTION NOTE NUMBER 34

EFFECTING PAYMENTS WITHIN THIRTY (30) DAYS FROM RECEIPT OF AN INVOICE AS REQUIRED IN TERMS OF TREASURY REGULATION 8.2.3

1. PURPOSE

This Instruction Note aims to enhance compliance with section 38(1)(f) of the Public Finance Management Act (PFMA) which requires accounting officers to settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period.

2 BACKGROUND

2.1 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, from the date of settlement or court judgement*”.

2.2 The prescribed period referred to in section 38(1)(f) of the PFMA is 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement, as provided in Treasury Regulation 8.2.3.

3 NON-COMPLIANCE WITH TREASURY REGULATION 8.2.3

3.1 The National Treasury and provincial treasuries are often inundated with complaints from service providers that despite supplying goods in accordance with orders and/or rendering services satisfactorily, departments are not effecting payments timeously for the purchases of such goods and/or the rendering of such services.

3.2 Many provincial treasuries have also regularly raised concerns with the National Treasury that some national departments are not honouring intergovernmental claims made by provincial departments for services rendered.

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- 3.3 During 2009, it came to light that non-compliance with Treasury Regulation 8.2.3 had reached significant levels whereby departments were blatantly disregarding the requirement to make timeous payments to their creditors within thirty (30) days from receipt of an invoice.
- 3.4 This led to the Minister in the Presidency responsible for Performance Monitoring and Evaluation issuing a communiqué during June 2009 requesting departments to ensure compliance with Treasury Regulation 8.2.3.
- 3.5 On 2 December 2009, Cabinet also resolved that departments must implement mechanisms to ensure that payments to creditors are met within thirty (30 days) from receipt of an invoice.
- 3.6 The National Treasury also issued a circular on 31 May 2010 urging all accounting officers to institute measures to ensure that all their obligations are paid within the prescribed period.
- 3.7 Despite the foregoing, many departments are still not effecting payment to their suppliers within thirty (30) days from receipt of an invoice. This undesirable practice has now reached disturbing levels and besides being in contravention of the PFMA and Treasury Regulations, this practice is severely affecting the cash flow positions and sustainability of businesses, especially the small medium and micro enterprises (SMME's).
- 3.8 Many of such businesses are closing down largely due to financial constraints whilst others are resorting to drastic measures to keep afloat, which include the retrenchment of employees. **These measures are counterproductive to Government's priorities, which include the creation of decent jobs through inclusive economic growth.**

4. MEASURES TO ENSURE COMPLIANCE WITH TREASURY REGULATION 8.2.3

- 4.1 The accounting officer's responsibility [in terms of section 38(1)(f)] to settle all contractual obligations and to pay all money owing, including intergovernmental claims, within the prescribed (30 days) or agreed period is hereby re-iterated.
- 4.2 Within thirty days (30) days from the date of this Instruction Note, all departments are required to have in place systems (processes and procedures) that will enable the tracking of each invoice received from the various service providers.
- 4.3 The system referred to in paragraph 4.2 above may either be manual or electronic in nature and such a system must also be able to track progress with the processing of each invoice.
- 4.4 At any given time, such a system must be able to provide information related to the date on which an invoice was received, the date on which it was paid and the time period between the date of receipt and the date of payment, if the invoice was indeed paid.

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- 4.5 With effect from 1 February 2012, all national departments must provide the National Treasury each month with exception reports on the number of invoices and the value thereof that have not been paid within thirty (30) days from receipt together with reasons for not making the payments timeously. This information must include payments that were made late (i.e. after 30 days from date of receipt) as well as those invoices that have not been paid and where the time period has exceeded thirty (30) days.
- 4.6 The information required in paragraph 4.5 above must be submitted to the National Treasury within seven (7) days after the end of the preceding month in the format prescribed in the enclosed Annexure A.
- 4.7 The accuracy of information in paragraph 4.5 must be confirmed by signature of the department's accounting officer prior to its submission to the National Treasury.
- 4.8 National departments that have fully complied with Treasury Regulation 8.2.3 must file a nil return with the National Treasury, duly confirmed by the department's accounting officer.
- 4.9 Provincial treasuries must request the information required in terms of paragraph 4.5 from their respective provincial departments in the format prescribed in the enclosed Annexure B.
- 4.10 The accuracy of information submitted by provincial departments must also be confirmed by signature of the respective department's accounting officer prior to its submission to the relevant provincial treasury.
- 4.11 If accounting officers of national and provincial departments delegate the power to confirm the accuracy of information in paragraph 4.5 to their respective department's chief financial officer or to any other functionary, the accounting officers are not divested of the responsibility concerning the exercising of the delegated power, as provided in section 44(1)(d) of the PFMA.
- 4.12 Provincial treasuries must each month ensure that all their respective provincial departments have provided returns on the information required in paragraph 4.5.
- 4.13 Provincial departments that have fully complied with Treasury Regulation 8.2.3 must file a nil return with the relevant provincial treasury, duly confirmed by the department's accounting officer.
- 4.14 Provincial treasuries must collate the information as submitted by their respective provincial departments for submission to the National Treasury within fifteen (15) days after the end of each month.
- 4.15 Submissions by provincial treasuries to the National Treasury in terms of paragraph 4.14 above must be in the format prescribed in the enclosed Annexure C.

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- 4.16 The National Treasury will provide national departments and provincial treasuries with electronic copies of Annexures A, B and C.
- 4.17 In terms of a Management Committee resolution of the Forum of South African Directors-General (FOSAD), the National Treasury must provide the Forum with statistics each month on the exception reports, broken down per national and provincial department.
- 4.18 The information required in terms of this Instruction Note will therefore be provided to FOSAD on a monthly basis. The relevant treasuries shall take no responsibility for the accuracy of information received from departments except to the extent relating to transcribing errors.

5. SUBMISSIONS TO THE NATIONAL TREASURY

- 5.1 National departments must hand-deliver their returns to Elanie van Niekerk at the Chief Directorate: Governance Monitoring and Compliance situated on the 17th floor (Room 1711) 240 Vermeulen Street, Pretoria.
- 5.2 Provincial treasuries must forward collated returns in respect of their respective provincial departments to Ms Virginia Sefako via e-mail to Virginia.Sefako@treasury.gov.za

6. APPLICABILITY OF THIS INSTRUCTION NOTE

This Instruction Note applies to all national and provincial departments.

7. AUDITING OF THIS INSTRUCTION NOTE

A copy of this Instruction Note will be forwarded to the Auditor-General to ensure that its contents are included in their audit scope.

8. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION NOTE

Heads Officials of provincial treasuries are requested to please bring the contents of this Instruction Note to the attention of accounting officers of their provincial departments.

9. AUTHORITY FOR THIS INSTRUCTION NOTE

This Instruction Note is issued to facilitate implementation of the PFMA in terms of section 76(4)(g) of the Act read together with section 38(1)(f) and Treasury Regulation 8.2.3 and to monitor and assess implementation of the Act in terms of section 6(2)(c).

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in terms of Treasury Regulation 8.2.3**

10. EFFECTIVE DATE FOR THIS INSTRUCTION NOTE

This Instruction Note takes effect from the date of issue and requires the first submission of information to the National Treasury in February 2012.

11. CONTACT INFORMATION

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ACCOUNTANT-GENERAL
DATE: 30 NOVEMBER 2011**