PAYMENTS TO SUPPLIERS WITHIN 30 DAYS

Presenter: Sandiso Thutshini | Director: PFMA Compliance | 6 Aug 2015
LEGISLATIVE REQUIREMENTS

- **Section 38(1)(f) of the PFMA** - “accounting officers must settle all contractual obligations and pay all money owing within the prescribed or agreed period;”

- **Treasury Regulation 8.2.3** – prescribed period is 30 days from receipt of an invoice or another time period, as agreed;

- **Instruction Note No. 34 dated 30 November 2011** – requires departments to submit monthly information to the relevant treasuries by the 7th day of each month.
On 30 November 2011, the National Treasury issued Instruction Note 34 which requires departments to submit monthly information relating to the following by the 7th day of each month:

- Number and value of invoices paid after 30 days;
- Number and value of invoices older than 30 days and not paid;
- Reasons for late or non payment of invoices

Revised Instruction Note:-

- Total number and value of invoices received in each month;
- Total number and value of invoices paid within 30 days;

With effect from 1 February 2012, the National Treasury is reporting to FOSAD Bi-monthly on the status of compliance.
CABINET RESOLUTIONS

- **02 December 2009** – Executive Authorities must ensure that their institutions implement mechanisms to pay invoices timeously;

- **31 May 2010** – National Treasury issued a Circular to institutions urging improved compliance with *Treasury Regulation* 8.2.3;

- **22 November 2010** – Cabinet *re-iterated* its previous decision of 2 December 2009. Departments were also required to implement mechanisms to track the receipt and payment of invoices.
EXCEPTIONS REPORTS SUBMISSION RATE
NATIONAL AND PROVINCIAL

Timeous submission of exception reports

National Departments
Provincial Treasuries
NUMBER OF INVOICES PAID AFTER 30 DAYS

National Departments
Number of invoices not paid within 30 days

Invoices paid after 30 days
Invoices older than 30 days which not paid
RAND VALUE OF INVOICES PAID AFTER 30 DAYS

National Departments
Rand Value of invoices not paid within 30 days

Invoices paid after 30 days
Invoices older than 30 days not paid
NUMBER OF INVOICES OLDER THAN 30 DAYS AND NOT PAID

Provincial Departments
Number of invoices not paid within 30 days

- Invoices paid after 30 days
- Invoices older than 30 days not paid
RAND VALUE OF INVOICES OLDER THAN 30 DAYS AND NOT PAID

Provincial Departments
Rand Value of invoices not paid within 30 days

Invoices paid after 30 days
Invoices older than 30 days not paid
MAIN REASONS FOR THE LATE AND/OR NON-PAYMENT OF INVOICES

- Standard Chart of Accounts (SCoA) related system problems;
- Inadequate internal capacity to process payments timeously;
- Unresolved Supply Chain Management related queries;
- IT system (BAS, LOGIS and SafetyWeb) related issues;
- Delays in the submission of invoices for processing;
- Delays in the timeous approval of payments;
- Inadequate budget/cash flow management;
- Incorrect banking details of suppliers;
- Unresolved invoice discrepancies; and
- Tax clearance certificate issues.
THE EFFECTS OF NON-COMPLIANCE WITH TR 8.2.3

- Impact on the cash flow positions of SMME’s;
- SMME’s - forced to borrow money to meet their contractual obligations;
- Retrenchments & forced closures due to constrained cash flow positions;
- Contrary to NDP and NGP intentions – creation of sustainable jobs;
- Corruption factor; and
- Reputational risk to Government.
DPME – establish unit to monitor and engage with transgressing depts;

Establishment of hotline for suppliers;

Minister of PME and PSA – submit quarterly progress reports to Cabinet;

National Treasury, DPSA and DPME – investigate appropriate sanctions to hold accounting officers accountable;

The National Treasury, DPSA and DPME - convene workshop with CFO’s;

National Treasury, DPSA and DPME - develop a guideline.
FOSAD resolution - workshop with Chief Financial Officers to develop strategies to improve compliance with TR 8.2.3:

- Date: 20 August 2015,
- Venue: 40 Church Square,

Survey on payment to suppliers within 30 days; and

Formal communication and details to follow.
NATIONAL TREASURY INTERVENTIONS

- Development of a web based system to collate monthly information;

- Standing item on the CFO Forum;

- Liaison with Statistics SA - develop Invoice Tracking System;

- Collation of information from departments via anonymous survey;

- Improved monthly and annual reports to FOSAD; and

- Supplier queries on late/non-payment of invoices;
CONCLUSION

- The number and Rand value of unpaid invoices - unacceptably high;

- Inadequate internal controls and systems to track invoices;

- Inadequate consequence management;

- Inadequate management oversight of the payment process;

- Late submission of information to the National Treasury – impacts on completeness of information submitted to FOSAD; and

- Inadequate effort and capacity to rectify continuing situation of unpaid invoices.
THANK YOU