

LATE PAYMENT OF SUPPLIER'S INVOICES

Invoices not paid within 30 days

PRESENTED BY:

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09 November 2021



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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LEGISLATIVE REQUIREMENTS

- **Section 38(1)(f) of the PFMA** states that, “the accounting officers for a department must settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period”.
- **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”.

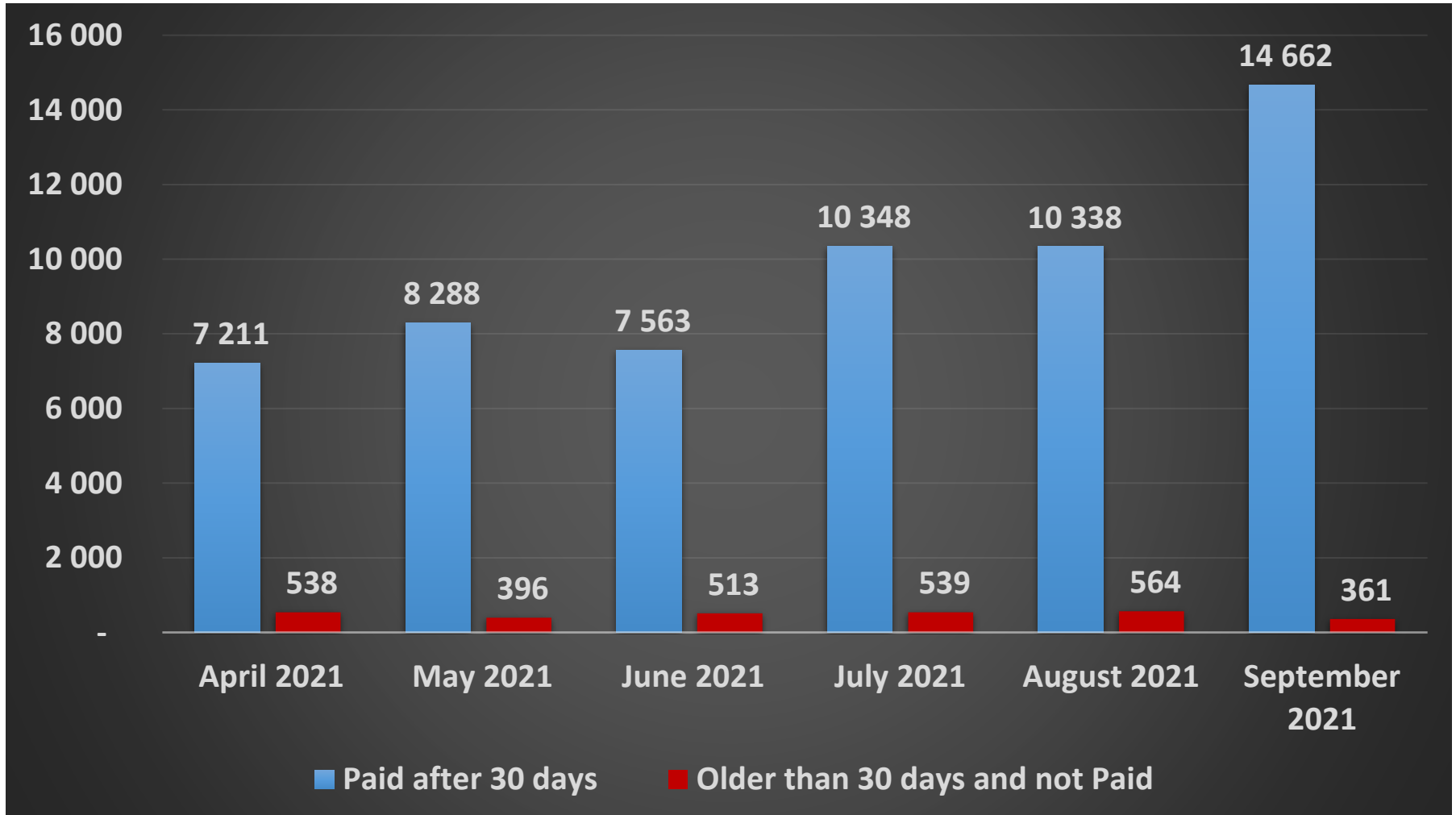
THE IMPACT OF THE COVID-19 PANDEMIC ON SMMEs

- Negative impact on the financial health of SMMEs and long-lasting effect on the economy of the country and businesses.
- Growing rate of unemployment since some of the SMMEs were forced to close their businesses which have led to many retrenchment of employees.
- It is critical for government institutions to commit to support SMMEs to improve the economic growth and reduce the rate of unemployment in South Africa.

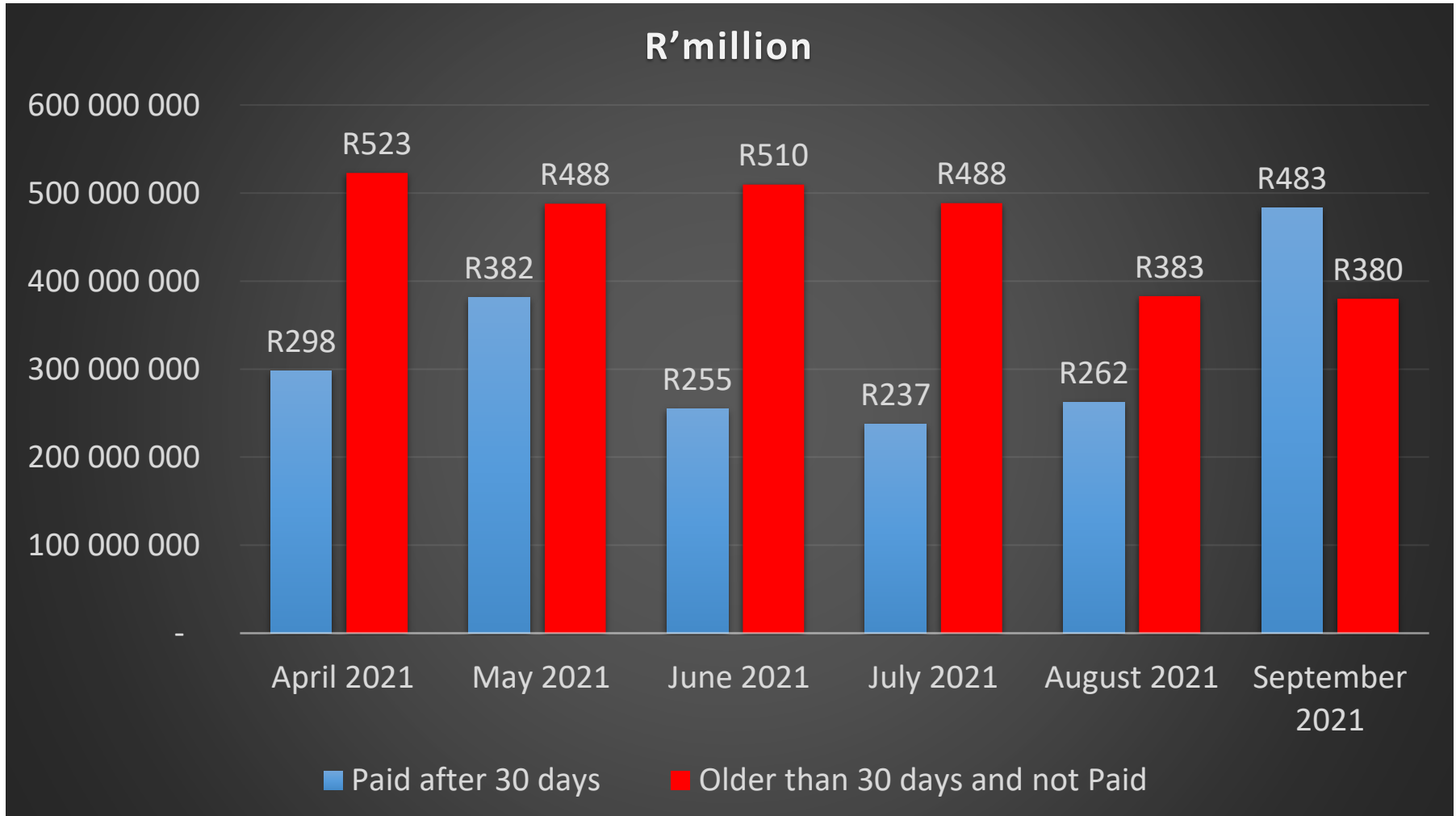
SUBMISSION OF 30 DAYS' EXCEPTION REPORTS

- 100% compliance submission rate was achieved in the 1st and 2nd quarter of the 2021/2022 financial year.
- The average timeous submission rate achieved in the 1st quarter was 82% and 83% in the 2nd quarter. This reflects a 1 % improvement in the timeous submission rate of exception reports.
- When comparing the 1st quarter and 2nd quarter of the 2021/2022 financial year to that of 2020/2021, there is a noticeable improvement in the submission rate.

NUMBER OF INVOICES NOT PAID WITHIN 30 DAYS



RAND VALUE OF INVOICES NOT PAID WITHIN 30 DAYS



DEPARTMENTS THAT PAID ALL THEIR INVOICES WITHIN 30 DAYS IN Q1

Table 1: Departments that paid all their invoices within 30 days

National School of Government

National Treasury

Planning, Monitoring and Evaluation

Public Service and Administration

Public Service Commission

Traditional Affairs

Human Settlements

Civilian Secretariat for the Police Service

Communications and Digital Technology

Science and Technology

Small Business Development

Sports, Arts and Culture

Trade, Industry and Competition

DEPARTMENTS THAT DID NOT PAY ALL THEIR INVOICES WITHIN 30 DAYS IN Q1

Table 2: Departments that did not pay all their invoices within 30 days

| | |
|--|--|
| Presidency | Police |
| Cooperative Governance | Agriculture, Land Reform and Rural Development |
| Government Communication and Information Systems | Employment and Labour |
| Home Affairs | Environment, Forestry and Fisheries |
| International Relations and Cooperation | Mineral Resources and Energy |
| Public Enterprises | Tourism |
| Public Works and Infrastructure including PMTE | Transport |
| Statistics South Africa | Water and Sanitation including Trading Entity |
| Basic Education | Women, Youth and Persons with Disabilities |
| Higher Education and Training | Correctional Services |
| Health | Defence |
| Social Development | Independent Police Investigative Directorate |
| Justice and Constitutional Development | Office of the Chief Justice |
| Military Veterans | |

DEPARTMENTS THAT PAID ALL THEIR INVOICES WITHIN 30 DAYS IN Q2

Table 3: Departments that paid all their invoices within 30 days

| |
|--|
| National School of Government |
| Planning, Monitoring and Evaluation |
| Public Service and Administration |
| Traditional Affairs |
| Communications and Digital Technology |
| Science and Technology |
| Small Business Development |
| Sports, Arts and Culture |
| Trade, Industry and Competition |
| Women, Youth and Persons with Disabilities |

DEPARTMENTS THAT DID NOT PAY ALL THEIR INVOICES WITHIN 30 DAYS IN Q2

Table 4: Departments that did not pay all their invoices within 30 days

| | |
|--|--|
| Presidency | Police |
| National Treasury | Public Service Commission |
| Cooperative Governance | Agriculture, Land Reform and Rural Development |
| Government Communication and Information Systems | Employment and Labour |
| Home Affairs | Environment, Forestry and Fisheries |
| International Relations and Cooperation | Mineral Resources and Energy |
| Public Enterprises | Tourism |
| Public Works and Infrastructure including PMTE | Transport |
| Statistics South Africa | Water and Sanitation including Trading Entity |
| Basic Education | Civilian Secretariat for the Public Service |
| Higher Education and Training | Correctional Services |
| Health | Defence |
| Social Development | Independent Police Investigative Directorate |
| Justice and Constitutional Development | Office of the Chief Justice |
| Military Veterans | Human Settlements |

DEPARTMENTS THAT REFLECT AN IMPROVEMENT IN THE NUMBER OF UNPAID INVOICES

Table 5: Departments that reflects an improvement

| Department | Q1 | Q2 |
|--|-----|-----|
| Home Affairs | 37 | 36 |
| Public Works and Infrastructure including PMTE | 735 | 308 |
| Police | 16 | 0 |
| Mineral Resources and Energy | 116 | 29 |

DEPARTMENTS THAT REFLECT A REGRESSION IN THE NUMBER OF UNPAID INVOICES

Table 6: Departments that reflects a regression

| Departments | Q1 | Q2 |
|--|-----------|-----------|
| Cooperative Governance | 2 | 5 |
| International Relations and Cooperation | 0 | 2 |
| Statistics South Africa | 1 | 8 |
| Social Development | 0 | 6 |
| Agriculture, Land Reform and Rural Development | 85 | 119 |
| Water and Sanitation including Trading Account | 454 | 951 |

CONCLUSION

The analysis reveals:

- a regression in the number of invoices paid after 30 days when comparing Q1 to Q2.
- an improvement in the number of invoices older than 30 days and not paid when comparing end of Q1 to end of Q2.
- Overall improvement in the submission rate of exception reports.
- Reiterate the negative impact on the financial health and sustainability of SMMEs which contributes to closing down of SMMEs and increasing unemployment rate.

Interventions

- Establishment of 30 days queries email to address and receive non-payment queries from suppliers, which National Treasury is following up on a regular basis;
- Increase in the scope of reporting (revised Treasury Instruction)

LOSS CONTROL

GUIDELINE

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CONTENT OF THE GUIDE

- Responsibilities in terms of the legislation PFMA sec 45(b),(c) and sec 57(b), (c)
- Effective steps to prevent UIF&W
- Prevention strategies
- Guide does not address **losses emanating from misuse or abuse of state assets**

SUPPORT AOs & AAs TO DEVELOP & IMPLEMENT PROCESSES

- Identify non-compliance
- Identify material irregularities (MI) and report on UIF&WE
- Separate losses incurred as a result of UIF&WE
- Separate losses resulting from fraudulent, other criminal acts or error
- Confirm risk exposure monitoring, reporting and re-assessing of implications of losses
- Develop procedures and processes to record losses identified and taking into account the legislative framework

PREVENTION AND IDENTIFICATION OF NON-COMPLIANCE IN TRANSACTIONS PROCESSED

- Establishing a positive control environment
- Transaction control procedure
- Ongoing role of management
- Accountability of each official
- Adequate separation of duties
- **Inclusion and understanding of Control Standards such as**, appropriate, Valid, Funded, Reasonable, Accurately recorded, Supportable and Timely recorded

IDENTIFICATION OF TRANSACTIONS THAT ARE MATERIAL AND IRREGULAR

- **Definitions**

- Material irregularity – MI Guideline
- Materiality
 - Materiality for the purpose of accounting
 - Materiality for the purpose of decision making
 - Materiality for the purpose of auditing

LOSS CONTROL FUNCTION

Loss Control Policy

- Annual review
- Address the following matters:
 - ✓ Loss control system
 - ✓ Designating loss control officers(s)
 - ✓ Responsibilities of designated loss control officers
 - ✓ Risk tolerance for losses
 - ✓ Procedure of a loss control officer/function; &
 - ✓ Procedure of an official / employee

Preventative Assessment

Assessment to identify whether a loss occurred

Step 1: quantifying debt resulting from losses

Step 2: using work of an expert

Investigations

Confirmation of the loss

Reporting; and

Recovery process (a) informing, (b) raising a debt, (c) irrecoverable debt

DEVELOPMENTS PFMA INSTITUTIONS

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DRAFT TREASURY REGULATIONS

Draft Treasury Regulations

- Revised Treasury Regulations, last publication for comments– November 2012.
- Require final review and ensure alignment with new developments and latest trends.
- Considered prudent for NT to issue final revised TRs for public comments
- Publication for public comments – January 2022
- Incorporation of comments and approval process (Quarter 4 of 2021/2022)
- Publication of final TRs – Quarter 1 of 2022/2023

COMPLIANCE REPORT

Compliance report

- Draft report undergoing a consultative process
- To be released end of November 2021
- Combination of all UIF&WE frameworks into one
- Reporting in the AFS
- Reporting in the annual report
- Inclusion of information related to late payments of suppliers

THANK YOU