



The Presidency
Department of Performance Monitoring
and Evaluation

MONITORING OF PAYMENTS TO SUPPLIERS WITHIN 30 DAYS: 2012 RESULTS

Standing Committee on Appropriations

Date of presentation: 17 April 2013

1. Background

- Payment of suppliers within 30 days is a requirement in terms of Section 38 (1)(f) of the PFMA and Treasury Regulations 8.2.3 which respectively stipulate that:
 - *Accounting Officers of departments should settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period;*
 - *Accounting Officers are to ensure that all payments due to creditors are settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.*

- Non-compliance with this requirement constitutes financial misconduct in terms of Section 81 of the PFMA

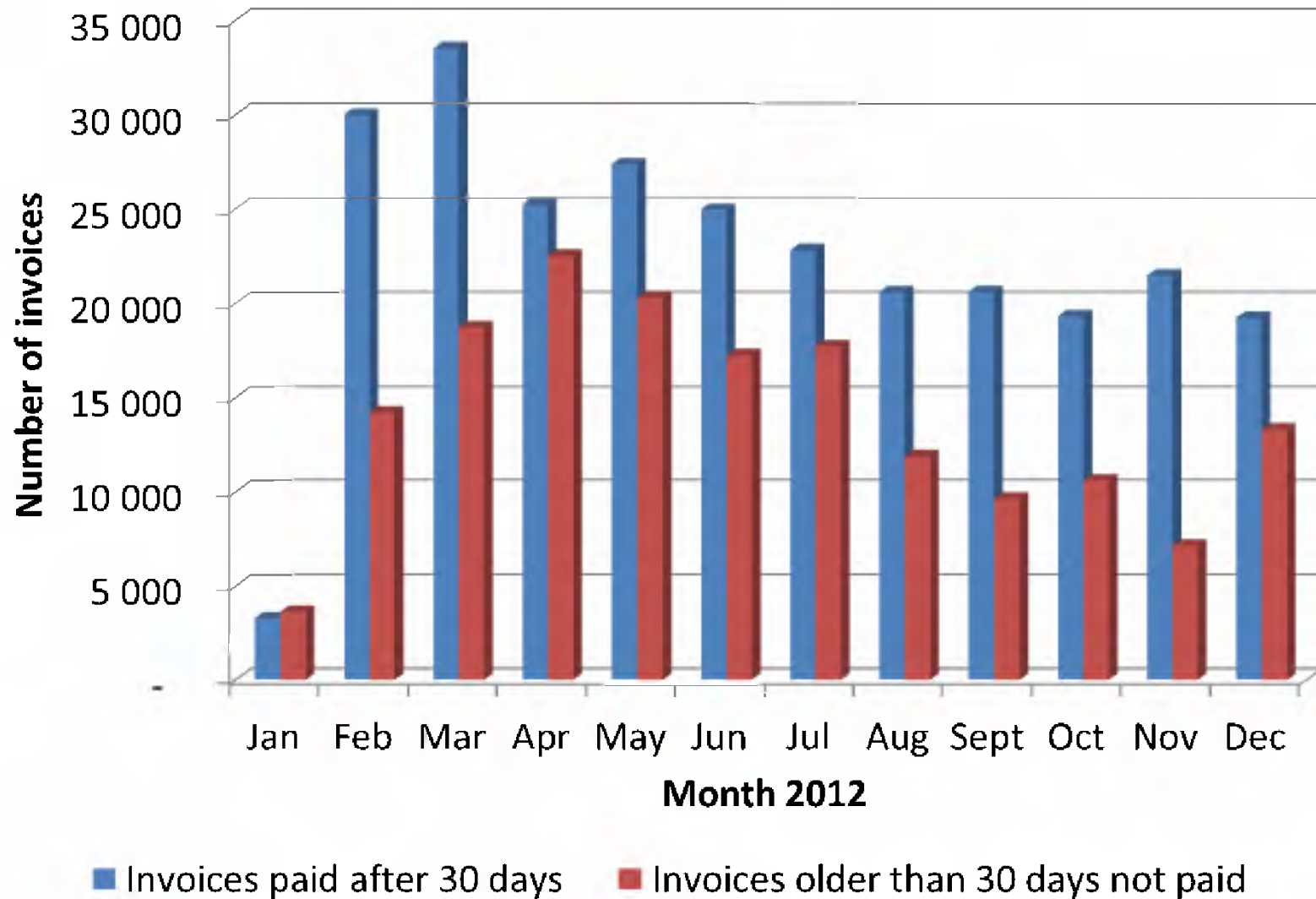


- Recognising that the late and non payment of suppliers is seriously impacting the sustainability of SMMEs, the Forum of South African Directors General (FOSAD) resolved that DPME and NT should produce regular reports to the Forum on the extent of departmental compliance with the relevant PFMA and Treasury Regulation provisions

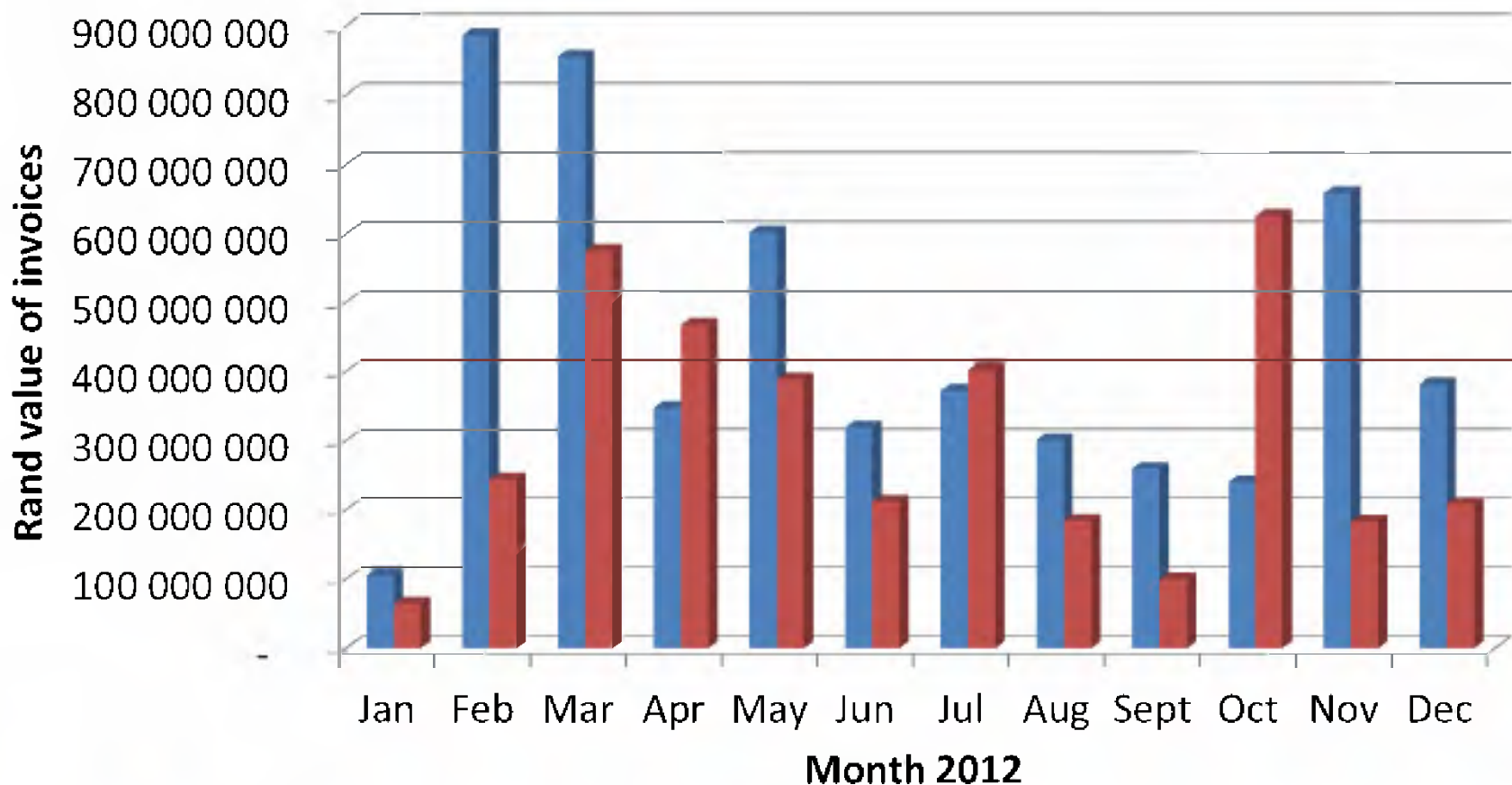
- National Treasury then issued Instruction Note 34 in November 2011 requiring departments to:
 - Submit reports to the National Treasury on the late or non-payment of suppliers within 30 days from the receipt of an invoice and the reasons for such by the 7th and 15th of each month for departments and provincial treasuries respectively
 - Implement systems (manual or electronic processes or procedures) to enable tracking of an invoice from the time of receipt up until the time when it is actually paid
 - Provide reasons for late payment and/or non payment of invoices



National departments: number of invoices



National departments: value of invoices

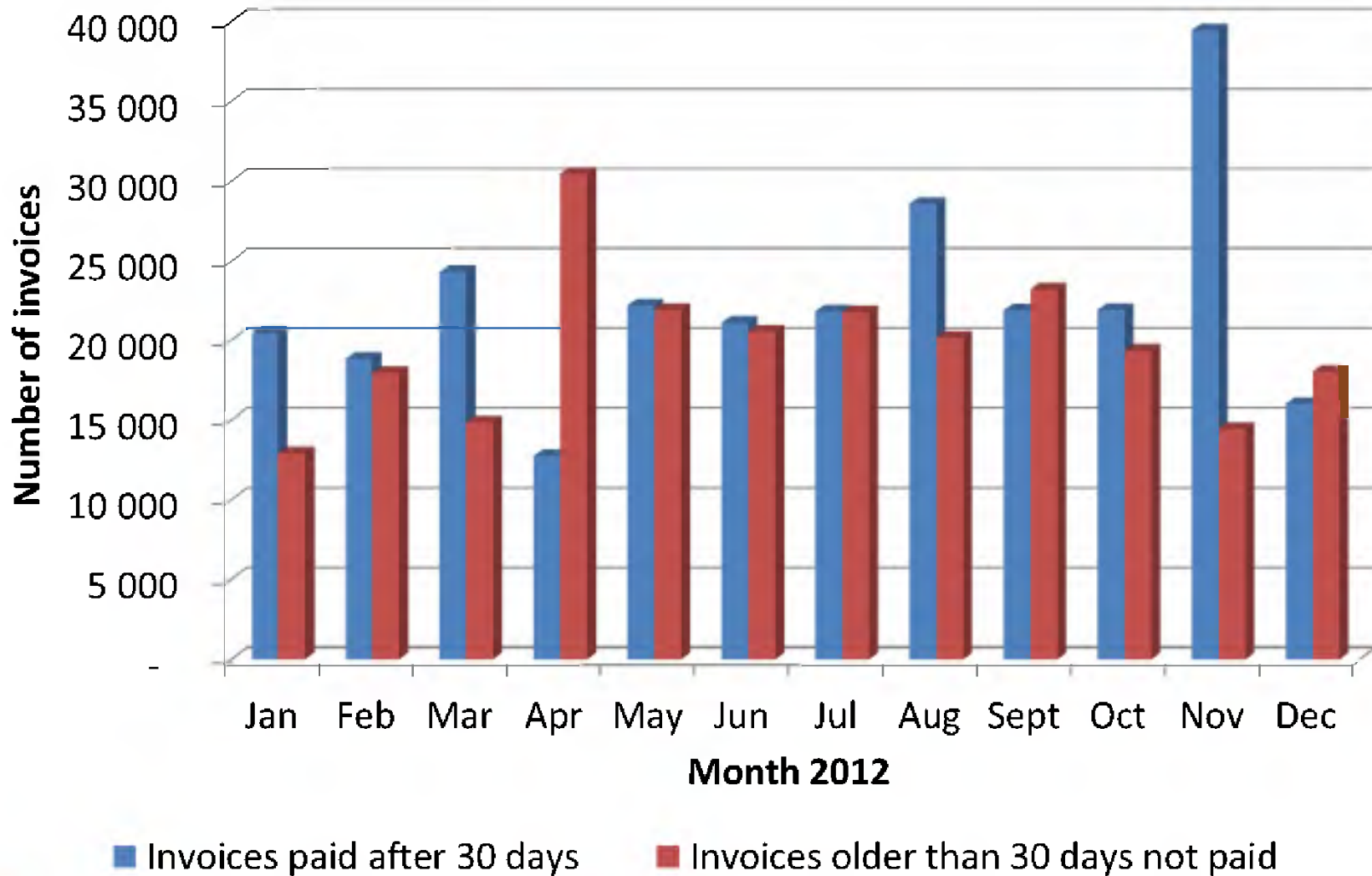


■ Invoices paid after 30 days ■ Invoices older than 30 days not paid

Note: November spike: DCS processed R391 million in November



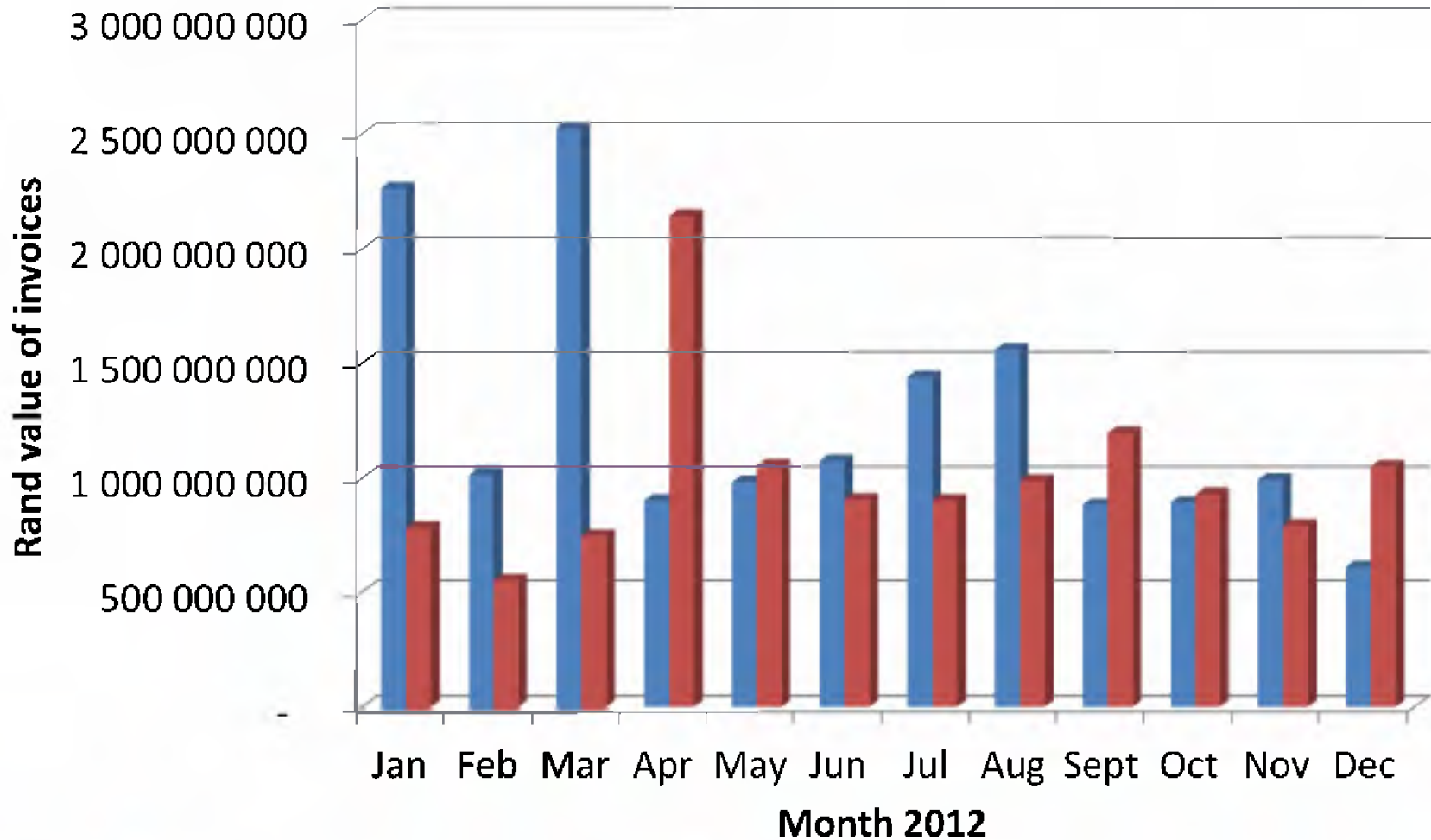
Provincial departments: number of invoices



Note: November spike could be due to additional allocation or improved reporting



Provincial departments: value of invoices

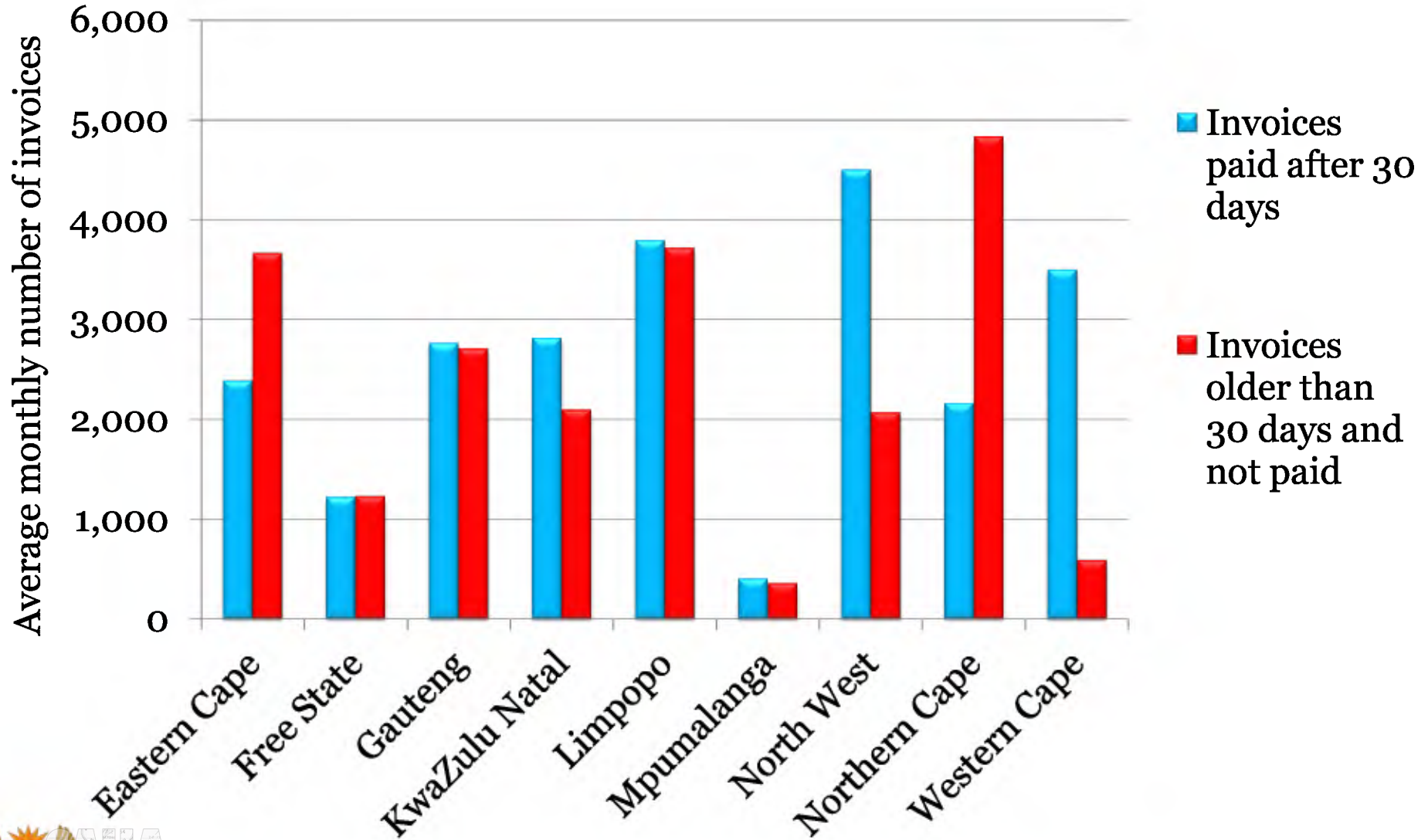


■ Invoices paid after 30 days

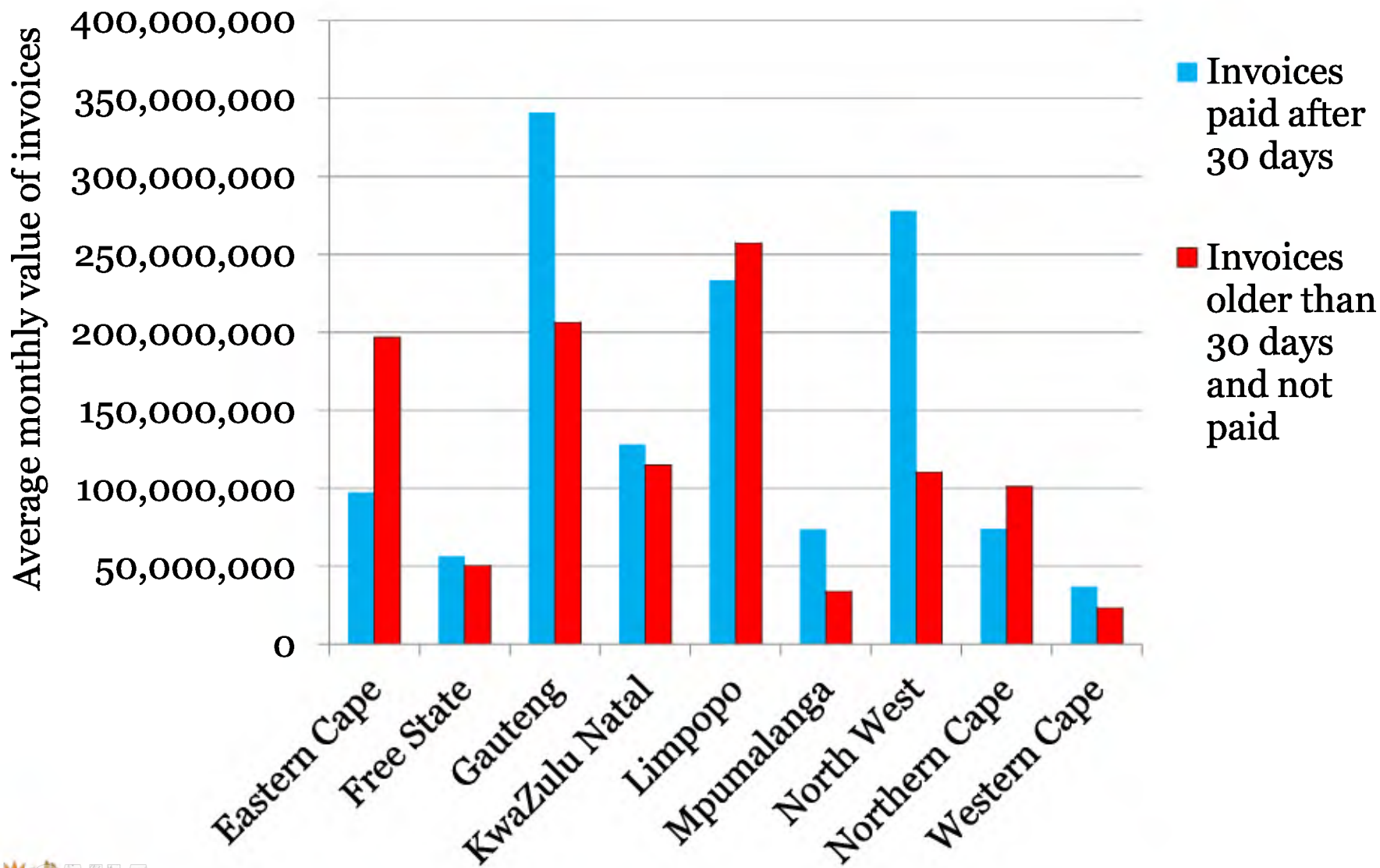
■ Invoices older than 30 days not paid



Provinces: average monthly numbers of invoices



Provinces: average monthly value of invoices (R)



Analysis

- Whilst there have been improvements in some departments and some provinces, there is not yet a substantial improvement on average – numbers and values of invoices reported in January and February 2013 are higher than average for 2012
- Whilst it must be noted that some provinces have larger budgets than others:
 - ❑ Limpopo, North West consistently reported high monthly numbers of unpaid invoices to a high value
 - ❑ Average monthly value of late invoices reported by Gauteng is high
 - ❑ Northern Cape, Western Cape, and Eastern Cape reported relatively high numbers of invoices
 - ❑ Mpumalanga appears to be the best performing province
 - Reporting relatively low numbers of invoices, of a relatively low value, on average
 - Payment of suppliers is monitored at EXCO and Forum of Heads of Department and included in the APPs and performance agreements of HODs and CFOs



National departments that have improved

Vote	Department	Description of improvement in paying within 30 days
37	Transport	Improved from 1,143 invoices (R 6,592,136) paid after 30 days in May 2012, to 0 invoices in December 2012
36	Trade and Industry	Improved from 32 invoices (R 5,092,316) paid after 30 days in January 2012, to 0 invoices in December 2012
35	Tourism	Improved from 74 invoices (R 532,182) paid after 30 days in August 2012, to 1 invoice (R 38,500) in December 2012
16	Health	Improved from 376 invoices (R 10,838,450) paid after 30 days in February 2012, to 16 invoices (R 371,840) in December 2012
13	Statistics South Africa	Improved from 3,330 invoices (R 28,467,486) paid after 30 days in August 2012, to 23 invoices (R 197 870) in December 2012

- Above departments either had tracking mechanisms in place or have put them in place
- None have regional offices

**If some can improve,
all can improve**



National departments with little improvement

Department	Invoices paid after 30 days		Invoices older than 30 days not paid	
	Average Rand value 2012	Average number 2012	Average Rand value 2012	Average number 2012
Defence and Military Veterans	57,978,112	9,788	1,391,471	316
Police	38,776,498	4,642	3,567,601	182
Justice and Constitutional Development	78,941,027	1,970	158,542,283	8,789
Correctional Services	43,184,240	1,186	51,417,589	1,350
Public Works	83,448,357	860	44,669,564	1,062

- All departments with large budgets and regional offices
- Some report delays due to centralised payment systems



Top ten reasons provided by departments

1. Not in possession of suppliers' correct and updated banking details – but verification should take place when orders are placed
2. Invoices being submitted late for processing within departments
 - invoices received but either misfiled or improperly recorded
3. Inadequate internal capacity within finance units
4. Inadequate budget / cash flow management – orders placed without budgets being available
5. IT system issues (BAS, Logis and SafetyWeb etc.)
6. Standard Chart of Accounts (SCoA) problems
7. Tax clearance certificate issues - should be sorted out before invoices are due for payment
8. Managers not providing approval for payments timeously - vacation leave or other commitments
9. Unresolved invoice discrepancies – should not be included in reports
10. Goods and services procured without correct SCM processes being followed, leading to non-compliance & thus delaying process of payment



Conclusions

- Most of the reasons relate to weaknesses within internal administration
- Some departments provide the same reasons every month and little or no progress has been made to address the underlying problems
- Accounting Officers and CFOs need to pay attention to addressing the problem by:
 - Putting in place standard work processes for processing invoices as well as manual or electronic invoice tracking systems
 - Allocating responsibility to specific managers for regularly monitoring that an invoice is not stuck at one of the steps in the process and for intervening when an invoice does get stuck
 - Ensuring regular monitoring by senior managers within departments
- DPME, dti and National Treasury to engage with all CFOs to share examples of good practice



- In terms of the Public Service Act, it is the responsibility of a Head of Department to ensure that disciplinary action is taken where warranted. If a Head of Department fails to take disciplinary action, it becomes the responsibility of the Executing Authority to take such action against the Head of Department.
- Ministers, MECs, DGs and HoDs must initiate disciplinary action where necessary with regard to gross financial misconduct, including non-payment of suppliers within 30 days



Ke ya leboga

Ke a leboha

Ke a leboga

Ngiyabonga

Ndiyabulela

Ngiyathokoza

Ngiyabonga

Inkomu

Ndi khou livhuha

Dankie

Thank you

