Media Statement

SAICA urges SMMEs to escalate late payment by the government

Johannesburg, 19 August 2021 – The COVID-19 pandemic has caused mayhem in the economy and has negatively impacted businesses, particularly SMMEs, with many struggling to remain afloat due to cash flow challenges. Adding to this, is the late or non-payment of invoices by government due to the poor implementation of internal controls to ensure that suppliers are paid within the prescribed time, writes Natashia Soopal, SAICA Senior Executive for Public Sector and Enabling Competencies.

Departments, trading entities, and constitutional institutions are required to settle all payments due to creditors within 30 days from receipt of invoice or, in the case of civil claims, the date of settlement or court judgement as per Treasury Regulations 8.2.3. In 2011, National Treasury issued Instruction Note Number 34 to enhance compliance with regards to all invoices being settled within 30 days from receipt. However, it is now a decade later and payment within the prescribed time frames by national and provincial departments remains a challenge.

Officials responsible for the late or non-payment of invoices and claims commit financial misconduct or ordinary misconduct. It is, therefore, necessary for accounting officers to hold officials accountable for late or non-payment of invoices to improve the current status quo of payments.

Late or non-payments by the government negatively impacts the country and suppliers in many ways, as identified by National Treasury including, amongst others:

"(a) the socio-economic challenges that the country faces such as high unemployment rate, inequality, poverty, and other related challenges;

(b) the financial health of suppliers who are forced to borrow keep financially afloat; and

(c) the ability of suppliers to pay salaries and meet their contractual obligations."

To address this challenge, several interventions have been implemented to tackle the late payments by the government. National Treasury released its *2020/21 annual report on non-compliance with payments of suppliers' invoices within 30 days* on 12 August. The purpose of the report is to monitor and inform relevant stakeholders on the payment of suppliers within the prescribed period.

The report identifies that there has been an overall improvement in payment timeframes however it remains a challenge at many departments. Some of the national departments that recorded the highest number of invoices paid after 30 days included:

- Defense – 54 172 invoices (70%)
- Public Works (including PMTE) – 9 512 invoices (12%)

- Water and Sanitation (including trading account) – 4 745 (6%)
- Police – 3 308 (4%)
- Correctional Services – 2 522 (3%)

Some of the common reasons cited for late and/or non-payment of invoices include:

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

This emphasises the lack of preventative controls and resources within some parts of the government to properly manage public finance.

National Treasury established a call center to address late payments and SAICA urges SMMES who do business with the government to escalate their challenges with late payment to the call center. The call center can be reached by sending an email to 30daysqueries@treasury.gov.za.

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