



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

**TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS AND
CONSTITUTIONAL INSTITUTIONS**

ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES

HEAD OFFICIALS OF PROVINCIAL TREASURIES

NATIONAL TREASURY SCM INSTRUCTION NO 5 OF 2016/2017

**OUTSTANDING PAYMENTS DUE TO SUPPLIERS/CREDITORS EXCEEDING 30
DAYS AFTER SUBMISSION OF A VALID INVOICE**

1. PURPOSE

The purpose of this *SCM Treasury Circular* is to inform Accounting Officers (AOs) and Accounting Authorities (AAs) of Departments, Constitutional Institutions, Public Entities listed in Schedule 2 and 3 to the Public Finance Management Act (PFMA) of the procedure that must be followed to assist Suppliers/ Creditors in facilitation of payment exceeding 30 days from the date of submitting a valid invoice to the relevant Organ of State.

2. BACKGROUND

- 2.1 Section 38(1)(f) of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) requires Accounting Officers of Departments to settle all contractual obligations and pay all the money owing, including intergovernmental claims, within the prescribed or agreed period, which in this case is thirty (30) days.
- 2.2 Section 51(1)(b)(ii) of the PFMA states that an Accounting Authority for a Public Entity must take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the Public Entity.
- 2.3 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 thirty (30) days from receipt of an invoice, or in case of civil claims, the date of settlement or court judgement”.

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- 2.4 The above were supported through resolutions from Cabinet (2 December 2009) and FOSAD which translated into Instruction Note 34 that required submission of compliance report on the adherence to NTR 8.2.3.
- 2.5 Research conducted by the Office of the Chief Procurement Officer revealed that inability of Organs of State to pay suppliers within the prescribed period of 30 days has dire implications on Small Medium and Micro Enterprises (SMMEs) and other businesses that supply Government with critical services.
- 2.6 It must be noted that the inability of Organs of State to pay their suppliers / creditors timeously leads to other related devastating economic consequences for the broader government objectives: It dampens economic growth; leads to closure of many small and medium enterprises; and ultimately contributes to job losses.
- 2.7 As a result of the afore-mentioned, National Treasury has developed measures to resolve non-payment of suppliers exceeding 30 days from presenting a valid invoice to the relevant Organ of State.
- 3. ESTABLISHMENT OF A CALL CENTRE TO DEAL WITH OUTSTANDING PAYMENT DUE TO SUPPLIERS/ CREDITORS FOR MORE THAN 30 DAYS**
- 3.1 The Accounting Officers and Accounting Authorities to which this Instruction is addressed are informed of the establishment of a dedicated call centre within National Treasury to assist Institutions and affected suppliers in resolving non-payment of suppliers/ creditors appointed through SCM process.
- 3.2 The call centre will be available to all service providers doing business with the State to utilise in cases where their invoices after delivering goods and rendering services are not paid within the prescribed period of 30 days and the responsible Accounting Officer/ Accounting Authority is failing to assist in resolving the matter.
- 3.3 Once a complaint has been logged with the call centre, the Accounting Officer/Accounting Authority will be notified of the complaint and required to settle payment within 5 working days from date of receipt of the complaint, if there is no dispute.
- 3.4 Notification mentioned above will be accompanied by a copy of valid purchase order or order number; a delivery note and invoice for the service rendered or goods delivered.
- 3.5 Accounting Officer/Accounting Authority must report to National Treasury (Office of the Chief Procurement Officer) within five working days of being notified on the resolution outcome. In case of a dispute between the Institution and Supplier / Creditor, the Accounting Officer/Accounting Authority must still report to the Office of the Chief Procurement Officer the outcome as not resolved and the reasons for non-resolution.

- 3.6 The National Treasury will investigate the matter and provide recommendations to the Accounting Officer/Accounting Authority and Supplier / Creditor on resolving the dispute. Should the National Treasury through investigation come to a conclusion that the Accounting Officer/Accounting Authority is indeed liable to pay a supplier / creditor; such payment must be made within 5 working days of the decision.
- 3.7 Where the Accounting Officer/Accounting Authority continuously fail to pay suppliers/creditors on time, National Treasury reserves the right to invoke Section 216 (2) of the Constitution of South Africa, 1996.
- 3.8 Subject to provisions of the Prescription Act as amended, this Instruction does not apply to any outstanding payments that may be prescribed in terms of Prescription Act 68 of 1969.
- 3.9 The National Treasury will release publicly, monthly, all details of outstanding creditors per Department and Entity.

4. REPORTS TO PARLIAMENT ON PAYMENT OF CREDITORS WITHIN 30 DAYS

The National Treasury will provide quarterly reports to parliament regarding the non-payment of creditors within 30 days and make the reports public.

5. APPLICABILITY

This Instruction is applicable to all Departments, Constitutional Institutions and Public Entities listed in Schedule 2 and 3 to the PFMA.

6. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION

- 6.1 Heads of Provincial Treasuries are requested to bring the contents of this Instruction to the attention of Accounting Officers and Supply Chain Management Officials of their respective Provincial Departments.
- 6.2 Accounting Officers of National and Provincial Departments are requested to bring the contents of this Instruction to the attention of Executing Authorities and the Supply Chain Management Officials of Schedule 3A and 3C Public Entities reporting to their respective Accounting Authorities; and
- 6.3 Accounting Authorities of Schedule 2, 3B and 3D Public Entities are requested to bring the contents of this Instruction to the attention of the Supply Chain Management Officials of their Public Entities.

7. NOTIFICATION TO THE AUDITOR-GENERAL

The Auditor-General will be notified of the contents of this Instruction.

8. AUTHORITY FOR THIS INSTRUCTION AND EFFECTIVE DATE

This Instruction is issued in terms of section 76(4) (b) of the PFMA and takes effect from **1 July 2016**.

9. CONTACT INFORMATION

Enquiries related to this Instruction may be directed to:

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KENNETH BROWN
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