No.217 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Monday, 20 June 2022

**ANNOUNCEMENTS**

none

**TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Chairperson of the Finance Portfolio Committee, Hon. J Mpisi, tabled the Committee’s Focused Intervention Study (FIS) Report on Gauteng Provincial Government’s Compliance with Government’s 30-Day Payment to Service Providers, as attached.**

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**Adopted Finance Portfolio Committee Oversight Report on the Focus Intervention Study (FIS): Gauteng Provincial Government’s Compliance with Government’s 30-Day Payment to Service Providers**

| **Committee Details** | | **Department Details** | | |
| --- | --- | --- | --- | --- |
| **Name of Committee** | **Finance Portfolio Committee** | **Name of Department** | **Gauteng Provincial Treasury** | |
| **Which Financial Year** | **2021/22** | **Dept. Budget Vote Nr.** | **14** | |
| **Which Imperative** | **Annual Report Process** | **Hon. MEC** | **N. Nkomo-Ralehoko** | |
| **Committee Approvals** | | | | |
|  | **Name** | **Signed** | | **Date** |
| **Hon Chairperson** | Joe Mpisi |  | | **01 June 2022** |
| **Adoption and Tabling** | | | | |
| **Date of Final Adoption by Committee** | | **Scheduled date of House Tabling** | | |
| **01 June 2022** | | **21 June 2022** | | |

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# ABBREVIATIONS

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| **Abbreviation** | **Full Wording** |
| AFS | Annual Financial Statements |
| AG | Auditor General |
| CFO | Chief Financial Officer |
| DID | Department of Infrastructure Development |
| FIS | Focus Intervention Study |
| FOSAD | Forum of South African Directors General |
| GPL | Gauteng Provincial Legislature |
| GPT | Gauteng Provincial Treasury |
| FIS | Focus Intervention Study |
| GPT | Gauteng Provincial Treasury |
| MEC | Member of Executive Council |
| MFMA | Municipal Finance Management Act |
| MTSF | Medium Term Strategic Framework |
| NPD | National Development Plan |
| PFMA | Public Finance Management Act |
| SCM | Supply Chain Management |
| SOM | Sector Oversight Model |

# EXECUTIVE SUMMARY

The late and/or non-payment of invoices has a serious adverse impact on the financial health of suppliers who are often forced to borrow money in order to stay afloat financially as well as to continue meeting their contractual obligations with state institutions. When these institutions do not pay their suppliers timeously, it often results in these suppliers being liquidated, especially those that are classified as Small, Medium and Micro Enterprises (SMMEs).

The closing down of these SMMEs is due to the non-payment of suppliers invoices by government and is also seen as being counterproductive to the objectives of the National Development Plan (NDP) and the National Growth Path (NGP), which are aimed at improving economic growth and reduce poverty, inequality and unemployment.

During 2009, it came to light that non-compliance with Treasury Regulation 8.2.3 had reached significant levels whereby departments were blatantly disregarding the requirement to make timeous payments to their creditors within thirty (30) days from receipt of an invoice. This led to the Minister in the Presidency responsible for Performance Monitoring and Evaluation issuing a communiqué during June 2009 requesting departments to ensure compliance with Treasury Regulation 8.2.3. On 02 December 2009, Cabinet resolved that departments must implement mechanisms to ensure that payments to creditors are effected within 30 days from the date of receiving an invoice. The National Treasury also issued a circular on 31 May 2010 urging all accounting officers to institute measures to ensure that all their obligations are paid within the prescribed period.

Forum of South African Director Generals (FOSAD) also resolved that the National Treasury must provide the forum with regular reports on the extent of compliance by departments with the requirement to pay invoices within 30 days. Pursuant to this resolution, since the inception of the National Treasury Instruction Note No.34, the National Treasury has been reporting to FOSAD on non-compliance with the legislative requirement of paying invoices owed by the state.

Despite the aforegoing, many departments are still not effecting payment to their suppliers within thirty (30) days from receipt of an invoice. This undesirable practice has now reached disturbing levels and besides being in contravention of the PFMA and Treasury Regulations, this practice is severely affecting the cash flow positions and sustainability of businesses, especially the small medium and micro enterprises (SMME’s).

Many of such businesses are closing down largely due to financial constraints whilst others are resorting to drastic measures to keep afloat, which include the retrenchment of employees. These measures are counterproductive to Government’s priorities, which include the creation of decent jobs through inclusive economic growth.

The Gauteng Provincial Government (GPG) Departments being a microcosm of the South African Government is not immune from non-compliance with government’s 30-day payment to service providers. Through in-year monitoring conducted by the Portfolio Committee on the GPG State of Finances, the Departments of Health and Infrastructure Development has been identified as consistent non-compliers to government’s 30-day payment to service providers. In the 2022 State of the Province Address, the Premier also indicated that the Department of Social Development displays the signs of regression in complying to government’s 30-day payment to service providers. The Department of Community Safety was also identified for benchmarking purposes, by virtue of the latter performing relatively better pertaining to compliance with government’s 30-day payment to service providers.

The purpose of the FIS is to assess, the causes of department’s non-compliance to government’s 30-day payment to service providers; establish whether department have Supply Chain Management (SCM) capacity to ensure compliance with government’s 30-day payment to service providers and to what extent has lack thereof impacted on compliance; the extent to which SCM processes are set and prepared to ensure compliance with government’s 30-day payment to service providers; whether there are systems in place to follow up on incidents of non-compliance with government’s 30-day payment to service providers; whether there are mitigating measures in place to ensure compliance with government’s 30-day payment to service providers; the extent to which departments invoke consequence management in instances where departmental officials are the cause of non-compliance with government’s 30-day payment to service providers; and whether there are dispute resolution mechanisms in place to ensure compliance with government’s 30-day payment to service providers.

# INTRODUCTION

The Finance Portfolio Committee; herein referred to as the Portfolio Committee exercises oversight over the Gauteng Provincial Treasury. One of GPT’s strategic outcomes under increased compliance with legislative prescripts, is to promote accountability through substantive reflection of financial activities as well as compliance with financial norms and standards in Public Finance Management Act (PFMA) compliant institutions and promote and enforce transparency and effective supply chain management in the province. It is against this background that the Portfolio Committee oversees the compliance by Gauteng Provincial Government (GPG) departments with government’s 30-day payment to service providers, as provided for in section 38 (1)(f) of the PFMA. Which enjoins accounting officers to settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period. This was further amplified by Treasury Regulation 8.2.3, which 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 Portfolio Committee conducts oversight through the prescripts of the Sector Oversight Model (SOM) and the Public Finance Management Act (1999) (PFMA). SOM prescribes three elements of legislative oversight i.e. the evaluation of the efficacy of the public service; the appropriateness of financial resource allocation and management; and the relationship between these key elements. While the PFMA creates the basis on which oversight by Legislatures should be exercised. The Act clearly outlines areas of service delivery that should be reported on, including the responsibilities of officials and the timelines for reporting.

This report seeks to determine the root causes of non-compliance by GPG departments to government’s 30-day payment to service providers, assessment of the extent of non-compliance with government’s 30-day payment to service providers by GPG departments, the challenges which impedes GPG departments from complying with government’s 30-day payment to service providers, consider the remedial measures put in place to mitigate against non-compliance with government’s 30-day payment to service providers, and make recommendations to ensure that GPG departments comply with government’s 30-day payment to service providers and thereby ameliorate the plight of the SMMEs.

# PROCESS FOLLOWED

On 01 February 2022,the Portfolio Committee considered the FIS topic entitled, ***“*Gauteng Provincial Government’s Compliance with Government’s 30-Day Payment to Service Providers*”.*** The Portfolio Committee duly supported and agreed on the topic for the FIS.

The Portfolio Committee received presentations on the FIS topic from Gauteng Provincial Treasury and Public Service Commission on Friday, 04 February 2022. Thereafter, on 10 March 2022, the Portfolio Committee received presentations from the Departments of Health, Infrastructure Development, Community Safety, and Social Development on the FIS topic.

The Portfolio Committee deliberated and adopted the draft oversight FIS Report on Wednesday, 01 June 2022. The report was submitted to the Proceedings Unit for tabling and consideration by the House.

# COMPLIANCE AND QUALITY

In relation to compliance, identified stakeholders, that is GPT, PSC and affected GPG departments prepared and made a presentation to the Portfolio Committee. In addition, the Portfolio Committee embarked on the FIS process in accordance with the SOM and the Standing Rules of the Gauteng Provincial Legislature.

# OVERSIGHT ON STRATEGIC PRIORITIES

This section provides an overview on how GPT’s activities support the national and provincial outcomes. In response to the global and domestic challenges that confront the province, the government has committed to a plan of Growing Gauteng Together 2030, henceforth referred to as GGT 2030. The plan reflects a collective vision for the Gauteng City Region (GCR) in a decade’s time, and beyond, it also highlights priority actions and measures of success. Therefore the 2021 Medium Term Expenditure Framework (MTEF) budget outlines the extent to which the GGT 2030 has been resourced, with a view to grow the ideals and the vision contained in the GGT 2030.

The GGT 2030 does not constitute a departure from the foregoing policy priorities, its plan of action, sets out the vision for the Gauteng of 2030, guided by the principles and priorities contained in the Freedom Charter, the National Development Plan, the Manifesto, and work carried out to date as part of Gauteng’s Transformation, Modernization and Reindustrialization (TMR) programme. It is also guided by the following overarching policy, strategies, commitments and policy directives. The Sustainable Development Goals, the New Urban Agenda (NUA), the Paris climate agreement (COP 21), and the African Union’s Agenda 2063 at international level. At a provincial level, the strategy is undergirded by Gauteng Spatial Development Framework (GSDF) 2030 and Gauteng City Region Integrated Infrastructure Master Plan (GIIMP). The Medium-Term Strategic Framework (MTSF), the Integrated Urban Development Framework (IUDF) and the National Spatial Development Framework (NSDF) at a national level. While at a local level the strategy is supported by Municipal Growth and Development Strategies, Integrated Development Plans (IDPs), and Spatial Development Frameworks (SDFs).

The GGT 2030 reflects how the GCR intends to address the fundamental challenges facing the residents of Gauteng. That is, unemployment, poverty and hunger, crime and substance abuse, climate change, unsustainable growth and economic crises, migration, flight and displacement, health, inequality, social exclusion, lack of decent work and social protection, political instability, insecurity and violent conflicts. In an endeavour to solve these social maladies, GGT 2030 is predicated on the following priorities. That is, Economy, Jobs and Infrastructure; Education, Skills and Healthcare; Sustainable Human Settlements, New Cities and the Land Release; Safety, Social Cohesion and Food Security; Sustainable Future for All, Building a Capable, Ethical and Developmental State; Building a Better Africa and Better World; and Sustainable Development for Future Generations. Each of these priorities have its key projects and programmes to create a seamlessly integrated, socially cohesive, sustainable and economically inclusive Gauteng City Region (GCR).

GPG contributes to all the priorities contained in the Medium-Term Strategic Framework 2019-2024. That is, economic transformation and job creation; education, skills and health; consolidating the social wage through reliable and quality basic services; spatial integration, human settlements and local government; social cohesion and safe communities; a capable, ethical and developmental state; and a better Africa and world. Over and above policy priorities, GPG also intends responding to the COVID-19 Pandemic.

The Portfolio Committee notes that GPT’s role emanates from the need to support provincial departments and municipalities to perform at their best level. Therefore, GPT serves as a strategic partner of departments and municipalities in service delivery in the province. GPT mainly provides financial and non-financial management support, through monitoring and evaluation, to enable the Gauteng Provincial Government departments, their entities, and municipalities to discharge their mandates. The Portfolio Committee is of a view that non-compliance with government’s 30-day payment to service providers is detrimental to the survival of small and medium enterprises and inimical to development.

# OVERSIGHT ON PUBLIC INVOLVEMENT

As required by the Standing Rules of the Gauteng Provincial Legislature*,* the Portfolio Committee invited the Public Service Commission, identified GPG Departments and service providers to receive presentations on non-compliance to government’s 30-day payment to service providers. Presentations were received from Public Service Commission and identified GPG Departments apart from service providers.

# OVERSIGHT ON ANY OTHER COMMITTEE FOCUS AREA

**GPT AND PSC’s PRESENTATIONS ON GPG’s COMPLIANCE TO 30 DAY PAYMENTS TO SERVICE PROVIDERS**

According to PFMA Section 40, Accounting Officers are required to keep full and proper records of the financial affairs of the departments. Furthermore, Treasury Regulations Section 8.2.3, enjoins accounting officers to ensure that all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement. The Provincial Treasury is mandated in terms of Section 18 of the PFMA to promote and enforce effective financial management. This is done through:

* + Providing training and support in accounting and financial system matters;
  + Conducting monthly analysis of departmental invoices and expenditure information and providing a report to CFOs on a monthly basis; and
  + Conducting reviews of the departments’ financial statements on a monthly, quarterly and annual basis to ensure that invoice accrual information is accurate and valid, among others.

The Portfolio Committee noted that for GPT to realize and fulfil its mandate, one of its five strategic outcomes is to increase compliance with legislative prescripts. To this effect, GPT collate information from GPG departments on compliance with government’s 30-day payment period to service providers and report to the Portfolio Committee. Over the years, it was evident that Departments of Health, Infrastructure Development and Education were battling to comply with government’s 30-day payment period to service providers.

However, it recently came to light that the Department of Education has made palpable progress towards complying with government’s 30-day payment period to service providers. Despite this commendable progress by the Department of Education, Departments of Health and Infrastructure Development are still failing to reach the requisite performance levels, in as far as this performance target is concerned. Furthermore, the Department of Social Development has also shown the tendency to regress on compliance to government’s 30-day payment period to service providers. It is against this backdrop that the Portfolio Committee requested GPT to make a presentation on GPG department’s compliance with government’s 30-day payment period to service providers, with particular focus on the aberrant departments.

During the 3rd quarter of 2021/22 financial year, the Portfolio Committee noted with appreciation that eight departments achieved the recorded 100% compliance with government’s 30-day payment to service providers, with three departments reflecting above 95% compliance. However, as at the end of the 3rd quarter of 2020/21 financial year, the total average performance for all GPG departments equalled to 62%, relative to the appalling 45% registered in the 3rd quarter of 2021/22 financial year. The compliance regression of the Departments of Health, Infrastructure Development and Social Development in comparison to 3rd quarter of 2020/21 financial year contributed to the substantial provincial decline of 17% in performance year on year.

The main contributing departments to provincial non-compliance in the 3rd quarter of 2021/22 financial year are, Department of Health with 78% of the number of invoices and 61% of the value of invoices paid of the 30 days compliance; Department of Infrastructure Development with 14% of the number of invoices and 13% of the value of invoices paid of the 30 days compliance; Department of Social Development with 13% of the number of invoices and 4% of the value of invoices paid of the 30 days compliance; and Department of Community Safety with 7% of the number of invoices and 15% of the value of invoices paid of the 30 days compliance. **Notwithstanding compliance regression, the Portfolio Committee noted with appreciation that the Department of Education recorded 1% of the number of invoices and 1% of the value of invoices paid outside of the 30 days compliance**. At the end of the 3rd quarter of 2021 financial year, the total number of invoices not paid equalled to 23 558 with the total rand value of R2.5 billion.

The presentations of both GPT and PSC revealed that there is a plethora of reasons advanced for the non-compliance to the 30-day payment of suppliers. The Departments which recorded high number of invoices paid after 30 days and older than 30 days but not paid, provided reasons for non-compliance and corrective measures, apart from the Department of Health which did not cooperate with the PSC. **The Portfolio Committee is concerned that the Department of Health did not collaborate with the PSC in its obligation to promote measures that would ensure effective and efficient performance within the department and to promote values and principles of public administration as set out in the Constitution.** This was despite numerous attempts to find out the reasons for non-compliance and corrective measures to be taken to improve compliance.

Through its monitoring, the PSC reported that it observed that Department of Health is experiencing serious financial management challenges. **The Portfolio Committee noted that the PSC consequently recommended to the Premier to consider appointing an administrator.** On the contrary the Provincial Strategic Support Team was appointed to assist in the management and leadership of the department. **The Portfolio Committee welcomed the PSC’s recommendation that it invites the Provincial Strategic Support Team, MEC, and Acting HoD to explain the state of the financial affairs including compliance with government’s 30-day payment to service providers**

According to GPT reasons cited by departments for the non-compliance to the 30-day payment of suppliers related to the arbitrarily selection of suppliers on the payment run instead of instituting the fair first-in, first-out (FIFO) method of paying invoices; weak controls and lack of supervision leading to delays in the processing of Goods Receipt Voucher (GRV) by end users; weak internal controls like no clear timeframes on processing of invoices on the work cycle; lack of evidence of clear performance management of staff; violation of Standard Operating Procedures (SOPs) leading to fraudulently tempering with invoice numbers by users, thereby creating duplicated payments with specific reference to Health; Continued use of manual order payments renders departments open to duplicate payments, payment delays and inaccurate accruals; and Invoices not submitted through the Electronic Invoice Submission as per new SOP’s leading to delays in processing payments.

The PSC highlighted that for Department of Infrastructure Development, reasons for non-compliance to the 30-day payment of suppliers pertains to client departments not transferring funds timeously; late creation of purchase orders; service providers not settling their tax obligations timeously with the South African Revenue Services; late submission of goods received vouchers and late submission of invoices by service providers through electronic invoice submission system. **The Portfolio Committee noted with concern that the Department of Health’s claims age analysis in October 2021 amounted to 101 days and that it took the department 142 days to pay contractors in February 2022.** With regard to the Department of Social Development, expired tax clearances; inactive bank accounts; end-users delays in confirmation of goods received to staff rotation; and while Department of Transport ascribed non-compliance **government’s 30-day payment to service providers** uploading their invoices electronically and delayed to submit their Goods Receipt Voucher (GRV) to the end-users, which is used as a source to process payments. **The Portfolio Committee noted the factors responsible for non-compliance to the 30-day payment to suppliers and urges departments to provide remedial measures to ameliorate the situation.**

In the quest to remediate the impact of non-compliance with government’s 30-day payment to service providers, departments implemented corrective measures ranging from migrating maintenance payment from Department of Infrastructure to the Department of Health effective from April 2022; implementing invoice tracking system to identify invoices, GRVs, purchase orders, and invalid tax certificates that may lead to late payment and the escalation of such to senior management for resolving, holding of supplier forums to mitigate against inactive bank accounts and expired tax certificates, the monitoring of aging invoices and intervention before they reach 30 days, rejecting invoices with more than five days on the system without a GRVs, continuous training to new service providers on the compliance regime, monthly submission of exception report to the HOD, and reviewing the payment process to strengthen controls. **The Portfolio Committee welcomes measures put in place by department to mitigate against non-compliance with government’s 30-day payment to service providers and the implementation thereof will be monitored.**

According to the PSC, based on the remedial measures provided, Departments of Infrastructure Development, Social Development and Transport have not implemented consequence management actions against any official. Similarly, GPT reported that there is no evidence of consequence management instituted by departments in instances where officials have caused non-compliance to government’s 30-day payment to service providers. Furthermore, there was evidence of clear performance management of staff in instances of non-adherence to internal controls that lead to delays in payments. **The Portfolio Committee noted the indifference displayed by Departments of Health, Infrastructure Development, Social Development and Transport in complying with government’s 30-day payment to service providers and will monitor their performance. The Portfolio Committee is also concerned that there is no clear performance management of staff in instances of flagrant disregard of constitutional and finance management provisions.**

To ease the impact of non-compliance with government’s 30-day payments to service providers, GPT has implemented the following interventions, amongst others. That is, the implementation of Electronic Invoice Submission (EIS) system to eliminate delays in the submission of invoices by suppliers and enable quicker payment time frames; production of early warning reports on the analysis of supplier invoice status submitted to CFOs as part the monthly compliance reporting; the MEC issued a directive dated 1 March 2021 advising all departments to refrain from the use of manual order-based purchasing in line with GPT’s Circular 2 of 2009 on “*Financial Management Practices in GPG*” as this practice contributes to delays in supplier payments; the Provincial Accountant General’s Office has requested Standard Operating Procedures (SOPs) from all departments’ CFOs in order to benchmark with the best performing departments; GPT to conduct monthly reviews of PFMA Section 40 reporting on accruals and commitments to assist departments report accurately on old outstanding invoices (accruals); and that Gauteng Audit Services has successfully assisted the Department of Education in eliminating duplicate/ fraudulent transactions. **The Portfolio Committee acknowledges and welcomes GPT’s interventions and recommends that the services of GAS be extended to affected departments to alleviate challenges of non-compliance with government’s 30-day payment to service providers.**

**Analysis of Presentations by Departments of Health Infrastructure Development, Social Development, and Community Safety**

One of the objectives of the Focused Intervention Study was to establish the root causes of non-compliance with government’s 30-day payment to service providers. To this extent, the Portfolio Committee requested the identified Departments to make a presentation highlighting causes of non-compliance with government’s 30-day payment to service providers. Of the three identified departments, all departments’ presentations provided the causes of non-compliance with government’s 30-day payment to service providers, except for the Department of Health. It is worth noting the root cause analysis is the process of discovering the root causes of challenges to identify appropriate solutions. **The Portfolio Committee is concerned that failure by the Department of Health to account why it is unable to comply with government’s 30-day payment to service providers hinders the identification of appropriate solution to the challenge.**

The presentations highlighted the causes of non-compliance with government’s 30-day payment to service providers, which include among others, inactive supplier bank accounts, expired tax certificates price differences between the invoice and purchase order, invalid invoice and purchase orders, late confirmation of GRVs and the challenges within the Supatsela IT system for NPO payment for the Department of Social Development. The causes of non-compliance with government’s 30-day payment to service providers are common throughout the identified departments, however there are peculiarities. For instance, causes idiosyncratic to the Department of Infrastructure Development are service providers struggling to upload invoices on the electronic invoice system; inadequate funds on purchase orders; and late transfer of funds by client departments. **The Portfolio Committee is concerned that the Department of Infrastructure Development does not adhere to procurement plans evident in insufficient funds on purchase orders.** While the Department of Community Safety cited failure by end-users to confirm deliveries. Although the Department of Social Development performed better relative to other departments, the Portfolio Committee urges the Department to be resolute on the implementation of consequence management.

Regarding whether Departments have the requisite Supply Chain Management capacity to ensure compliance with government’s 30-day payment to service providers. The Department of Community Safety indicated that SCM has no impact on compliance to the 30-day payment requirement, as the department was able to pay 100% of service providers in the past with the current capacity. For the Department of Infrastructure Development excluding client departments, on average 90% of service provider payments were effected and the department is currently targeting 15 days payment. While the Department of Social Development explained that SCM only creates purchase orders at the request of the departmental end-users in the payment of suppliers value chain, on the contrary the financial directorate posts the departmental payments that meets the three way matching, that is, purchase order, Electronically submitted invoice and the completed goods received voucher by the end-user. Finally, the Department of Health indicated that every health institution has a transit unit staffed with competent SCM officials responsible for receiving goods from suppliers and for completing the RLS02. **The Portfolio Committee is concerned that the Department of Health recorded the least performance in respect of compliance to government’s 30-day payment to service providers despite its claims that it is staffed with competent SCM officials.**

Related to whether the Department have SCM capacity to ensure compliance with government’s 30-day payment to service providers, is the extent to which SCM processes set and prepared to ensure same. **The Portfolio Committee noted with appreciation that the Department of Community Safety has adequate internal control processes/systems to ensure compliance with the 30-day payment requirement**. In the same vein, the Department of Health reported that SCM officials verify the receipt of goods against the purchase order and delivery note, they complete the RLS02 and capture the GRV on SAP within 48 hours to ensure a 3-way match between purchase order, GRV and invoice. On the other hand, upon recommendation of the successful bidder, an appointment letter is issued by the Department of Infrastructure Development or the client department, a purchase order is created by either Department of Infrastructure Development or the client department. To avoid instances where client departments did not create purchase orders, Department of Infrastructure Development undertook to create purchase orders for all service providers to improve the turnaround time and achieve 100% target. **The Portfolio Committee welcomed the updating of processes within the Department of Social Development to ensure that all service providers are paid within 30 days.**

In the endeavour to ensure that systems in place to follow up on incidents on non-compliance with government’s 30-day payment to service providers. The Department of Infrastructure Development outlined that their strategy to follow up on non-compliance involves, the creation of a dedicated team to deal with exceptions, the establishment of a war room to deal with issues of non-compliance, regular meetings with end-users and providing early warning systems to identify longstanding invoices. Equally, the Department of Community Safety confirmed that after payments a report was retrieved which identifies areas of non-compliance, the CFO informs the HOD of units that contributed to such, and consequence management letters are sent to offenders. At the same time, The Department of Social Development indicated that the Financial Accounting Directorate downloads invoice tracking register daily to manage the turn-around number of days. **The Portfolio Committee commended the Department’s efforts in putting systems in place to follow-up on non-compliance, it is however concerned about the implementation of various systems by respective departments to attain the objective of following-up on non-compliance.**

Associated with the follow-up mechanisms on non-compliance is the degree to which departments instituted dispute resolution mechanisms to ensure compliance with government’s 30-day payment to service providers. To resolve disputes, the Department of Community Safety relies on paragraph 8.2.3 of the Treasury Regulations, which stipulates that, arrangements can be entered into with the supplier should there be any challenge with paying within 30 days. On the other hand, Department of Social Development end-users are required to sign off the goods received vouchers as evidence that the department has received the goods and services they have ordered. Consequently, the Standard Operating Procedure giving the end-users 48 hours to perform the 3-way match would lead to improved response and ensure that payments happen within 30 days. Moreover, the Department of Infrastructure Development requires that the GRV is endorsed by the end-user and the service provider as evidence that both parties agree to the amount to be invoiced. **Over and above, the Portfolio Committee applauded the department by elevating the issues of non-compliance with government’s 30-day payment to service providers to the MEC, by creating an e-mail that allows service providers to lodge disputes.**

To deter officials from causing non-compliance with government’s 30-day payment to service provider, some departments invariably invoked consequence management in instances where departmental officials are the cause of non-compliance. The Departments of Infrastructure, Social Development and Community Development are resolute in implementing consequence management, as there are clear-cut procedures to institute same. To this extent, the Department of Infrastructure Development has commissioned an Independent Service Provider to investigate non-compliance with SCM Policies and financial accruals, and failure to process invoices within the prescribed 30 Days Period. The report emanating from the investigation has since been forwarded to Labour Relations for Consequence Management, as per Recommendations contained in the report.

While the HOD for the Department of Community Safety issued a directive to all the units that the goods received note should be sent to the CFO’s office within 48hrs of goods received and services being rendered. **The Portfolio Committee noted with appreciation that failure to comply with this directive will result in a final written warning issued to an official who directly causes the non-compliance.** Although the Department of Social Development did not invoke any consequence management to officials who caused non-compliance in the 2021/22 financial year, consequence management would be invoked from April 2022 henceforth, as the new Standard Operating Procedure entails the implementation of same.On the contrary, the presentation of the Department of Health is silent on the implementation of consequence management to curb non-compliance. **The Portfolio Committee is concerned that the Department of Health is casual about compliance with government’s 30-day payment to service providers, as a result it did not report about consequence management.**

# FINDINGS, RECOMMENDATIONS AND IMPLICATIONS ON LAW MAKING

1. **Committee Findings / Concerns**

The Committee is concerned that:

1. **The Department of Health did not cooperate with the PSC in its obligation to promote measures that would ensure effective and efficient performance within the department and to promote values and principles of public administration as set out in the Constitution;**
2. **The Department of Health’s claims age analysis in October 2021 amounted to 101 days and that it took the department 142 days to pay contractors in February 2022;**
3. **Failure by the Department of Health to account why it is unable to comply with government’s 30-day payment to service providers hinders the identification of appropriate solution to the challenge;**
4. **The Department of Infrastructure Development does not adhere to procurement plans evident in insufficient funds on purchase orders;**
5. **The Department of Health recorded the least performance in respect of compliance to government’s 30-day payment to service providers despite its claims that it is staffed with competent SCM officials;**
6. **The implementation of various systems by respective departments to attain the objective of following-up on non-compliance; and**
7. **The Department of Health is casual about compliance with government’s 30-day payment to service providers, as a result it did not report about consequence management.**
8. **Committee Recommendations**

After assessing the FIS Report, the Portfolio Committee recommends the following and requests for responses by **29 July 2022:**

1. **That the Department of Health should provide cogent reason why it did not cooperate with the PSC in its obligation to promote measures that would ensure effective and efficient performance within the department and to promote values and principles of public administration as set out in the Constitution;**
2. **That the Department of Health should develop and submit a turn-around financial management strategy highlighting how it intends improving on its debt age analysis and the timely payment of contractors;**
3. **That the Department of Health should provide a report highlighting reason why it is unable to comply with government’s 30-day payment to service providers, which hinders the identification of appropriate solution to the challenge;**
4. **That the Department of Infrastructure Development should develop and submit a plan on how it intends adhering to procurement plans evident in budget overruns on purchase orders;**
5. **That the Department of Health should account through a report on the credibility of the competencies of their SCM officials, in light of the department’s performance being poor in respect of compliance to government’s 30-day payment to service providers;**
6. **That GPT should draft and submit uniform Standard Operating Procedures for the implementation of follow-up mechanisms on non-compliance, rather than respective departments implementing various systems to attain the objective of following-up on non-compliance; and**
7. **That the Department of Health should submit a plan demonstrating its determination to curb non-compliance with government’s 30-day payment to service providers, via consequence management.**

# ACKNOWLEDGEMENTS

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The Committee’s gratitude is extended to the following support staff: Group Committee Coordinator Mr. T. Bodibe; Senior Committee Coordinators Mr. J. Ntsane and Ms. C. De Beer (Acting), Researchers Mr. M. Tshehla and Ms. L. Chiloane; Senior Information Officer Mr. W. Nsibande; Media Officer Mr. A. Dikola; Committee Administrators Mr. Z. Mabuza, Service Officer Ms. R. Msimanga, Catering Assistant Ms. E. Nthene and Hansard Recorder Ms. R. Singh.

# ADOPTION

After due consideration the Finance Portfolio Committee unanimously adopted the FIS Report titled “**Gauteng Provincial Government’s Compliance with Government’s 30-Day Payment to Service Providers*”*.**

In accordance with Rule 165, the Finance Portfolio Committee presents to the House the Focussed Intervention Study (FIS) Report titled “**Gauteng Provincial Government’s Compliance with Government’s 30-Day Payment to Service Providers**” for adoption; taking into account the recommendations made in the report.