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State's bad record in paying businesses gets worse

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National and provincial government departments have blamed poor internal controls, lack of internal capacity and budget constraints for late and/or non-payment of invoices to service providers amounting to more than R11bn.

The late and/or nonpayment of invoices by the government after the stipulated 30 days affects the financial viability of small businesses and their ability to create jobs amid a sluggish economy.

Public Service Commission (PSC) commissioner Anelo Gxoyiya said on Tuesday the number of invoices paid after 30 days by national and provincial departments related to 117158 invoices totalling R11.1bn.

This is a regression of 12% from the number of invoices paid after 30 days during the first quarter of 2022/23, which amounted to 104937 invoices to the rand value of R8.6bn, said Gxoyiya. It is also substantially higher than the R2bn in late payments recorded in the corresponding period in 2021.

Only 15 of the 40 national departments complied with policy on timely payments.

Speaking at the launch of the PSC's quarterly bulletin, titled "The Pulse of the Public Service", Gxoyiya said it underscores the importance of paying suppliers on time. It "will assist small businesses to stay afloat" and avoid worsening "the already high rate of unemployment".

According to the PSC, the main departments responsible for late and/or nonpayment of invoices at national level are home affairs; correctional services; defence; police; agriculture; transport; water & sanitation; public works & infrastructure; health; and tourism.

The department of health, which has one of the biggest budget portfolios, accounted for 690 invoices valued at R40m; water & sanitation (trading account) accounted for 657 invoices (R27m).

The number of invoices paid after 30 days by provincial departments amounted to 90973, valued at R9.9bn.

Gauteng led the pack with 45,538 invoices (R3.5bn), followed by the Eastern Cape 25,789 (R2.3bn) and North West 12,988 (R880m).

The most common reasons provided – are interruptions caused by poor internal controls, internal capacity and budget constraints," said Gxoyiya.

The bulletin also addresses employee grievances. It handled 257 grievances between July 1 and September 30.

Of the grievances that were properly referred, about 95% are referred by employees while 5% are referred by EAs [executive authorities]. The referral of grievances by employees is an indication that departments have failed to resolve these grievances internally within the prescribed time frames," he said.

"The majority of the appropriately referred cases relate to unfair treatment, filling of posts, performance assessment and salary problems.

"In view of the number of cases that were internally resolved after the PSC's intervention, departments and organised labour are encouraged to consider mediation as an alternative means of resolving matters of conflict."

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