Directorate-General for Finance
Directorate for Budget and Financial Services
Central Financial Unit

Report on

compliance with payment time limits in 2016

(Article 111(5) of the Rules of Application for Regulation No 966/2012 of the European Parliament and of the Council)

May 2017

1. Payment time limits in 2016 were governed by Article 92 of the 2012 Financial Regulation (hereinafter 'the FR')[1] and Article 111 of its Rules of Application (hereinafter 'the RAP').[2] Under Article 92 of the FR and Article 111 of the RAP, payments shall be made within 30 calendar days of the date on which a payment request is received. In the case of payments which, under the contract, are contingent on the prior approval of a report or certificate, however, time limits may be as long as 60 or even 90 days if the technical services covered by the report are complex.

2. Article 111 of the RAP makes it mandatory for each institution to pay default interest if it exceeds €200. In the other cases default interest of less than €200 is paid only at the creditor's request, submitted within two months of receipt of the late payment.

3. That article also requires each institution to submit a report to the budgetary authority on compliance with payment time limits. This report has been drawn up in accordance with that provision.

4. The European Parliament's standard contracts set a payment time limit of 30 days, which applies to service, supply and works contracts, unless payment is contingent on the approval of a report. Where that is the case, the time limit set is 60 days or, if complex technical services are involved, 90 days.

5. The IT application for authorising officers' budgetary management (FINORD) is used to monitor invoices and, in particular, payment time limits (checklists, email alerts)[3]. The payment time limit for each invoice must be entered in the application. Any suspension of a time limit - owing to a dispute with the supplier concerned - can also be recorded.

6. The average payment period for invoices in 2016 remained stable from 2015. In both years it was 17 days, which is less than the contractual payment period of 30 days for service, supplies, works and other contracts.

7. The table below draws a distinction between invoices paid within the contractual time limit and those paid late and, where the latter are concerned, those valued at more than €200 which led to automatic payment of default interest. It also shows how the figures for 2016 and 2015 compare.

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[1] Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

[2] Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

[3] This report covers compliance with payment time limits for invoices recorded in the FINORD application.

INVOICES PAID	2015	Ratio	2016	Ratio (*)
Total				
Total invoiced (€)	643 124 633.46		674 690 831.40	
Number of invoices	21 735		21 839	
Average payment period	17		17	
Paid by the time limit				
Total invoiced (€)	632 677 709.57	98.4%	663 510 736.60	98.3%
Number of invoices	20 428	94.0%	20 134	92.2%
Paid after the time limit				
Total invoiced (€)	10 446 923.89	1.6%	11 180 094.80	1.7%
Number of invoices	1 307	6.0%	1 705	7.8%
Default interest paid automatically (> € 200)				
Total invoiced (€)	1 107 490.84	0.2%	565 678.94	0.1%
Number of invoices	9	0.04%	8	0.04%
Default interest payable (€)	5 594.53	0.001%	2 256.72	0.0003%

(*) Percentage, of the total invoiced and total number of invoices, paid by and after the time limit.

8. The table shows that out of 21 839 invoices paid in 2016, with a total value of nearly €675 million, 92.2% (accounting for 98.3% of the total value) were paid within the contractual time limit, which represents a slightly inferior performance than in 2015 in terms of number but stable in terms of value (in 2015, 94% of invoices, accounting for 98.4% of the total value, were paid within the contractual time limit).

9. Of the invoices paid late in 2016, eight (accounting for 0.04% of the invoices paid and 0.1% of the total value) led to automatic payment of default interest totalling €2 256.72 (0.0003% of the total invoiced).

10. No requests were received from suppliers for payment of default interest in an amount less than or equal to €200.

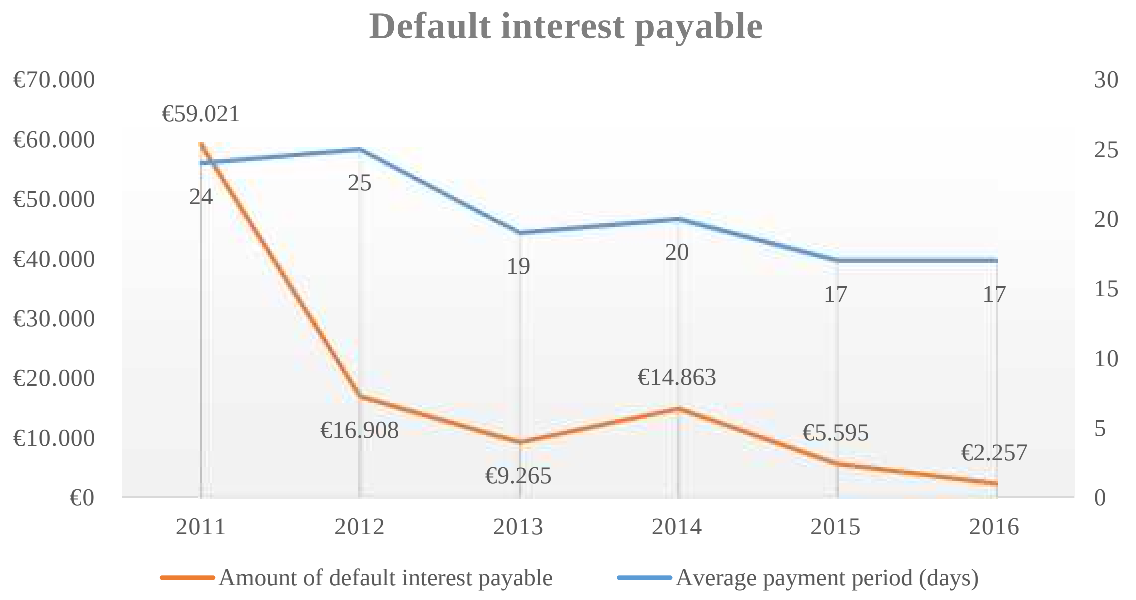
11. The most common reasons for failure to make payments within the set time limit were the office-closing period at the end of the year (when an invoice arrives just before the winter break, it can be paid only after the financial year has ended and the requisite appropriations have been carried over, i.e. towards mid-January) and the geographical dispersion of financial actors. Absences and the turnover of financial actors, financial circuits based on internal distribution of paper files and late delivery of invoices were other reasons for non-compliance with the payment deadline.

12. The average payment period was stable compared with 2015, but there was a significant fall in the amount of default interest payable automatically.

13. The introduction of electronic signatures between July and November 2015 saw a marked improvement on the payment period in 2015, which stabilised in 2016.

14. The total amount of default interest payable automatically remains marginal in relation to the sums paid to our contractors. This amount has fallen considerably over the last few years (€59 020.91 in 2011, €16 908.18 in 2012 and €9 264.84 in 2013). In 2014, the 'late-payment interest' indicator was negative (€14 862.83), but in 2015 the positive pre-2014 trend was restored and in fact became even more pronounced, with the indicator amounting to €5 594.53; this improvement was further confirmed in 2016, when it was €2 256.72.

15. The graph below shows the steady improvement from 2011 to 2016 in both the amount of default interest payable automatically (> €200) and Parliament's average payment period.



16. In conclusion, the European Parliament's Administration has managed to keep the average payment period for invoices below 30 days, and even to stabilise it below 20 days. The number of invoices paid by the deadline and the value of those invoices are stable compared to 2015, and the amount of default interest payable automatically has fallen significantly. With the digitisation of invoices by the Accounting Service and the introduction of the electronic signature procedure, the overall figures for 2016 show not only a consolidation of the results achieved in 2015 but even an improvement on those results. Accordingly, the European Parliament's Administration has dealt more than satisfactorily with payment requests and invoices received.