

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

Report on

compliance with payment time limits in 2017

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

May 2018

1. Payment time limits in 2017 were governed by Article 92 of the 2012¹ Financial Regulation (hereinafter 'the FR') and Article 111 of its Rules of Application (hereinafter 'the RoA')². Under Article 92 of the FR and Article 111 of the RoA, payments must 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 or certificate are complex.
2. Article 111 of the RoA makes it mandatory for each institution to pay default interest if it exceeds € 200. 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. 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 2017 remained unchanged from 2016. In 2016, it was 17 days; there was no change in 2017. It is therefore still 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 2017 and 2016 compare.

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).

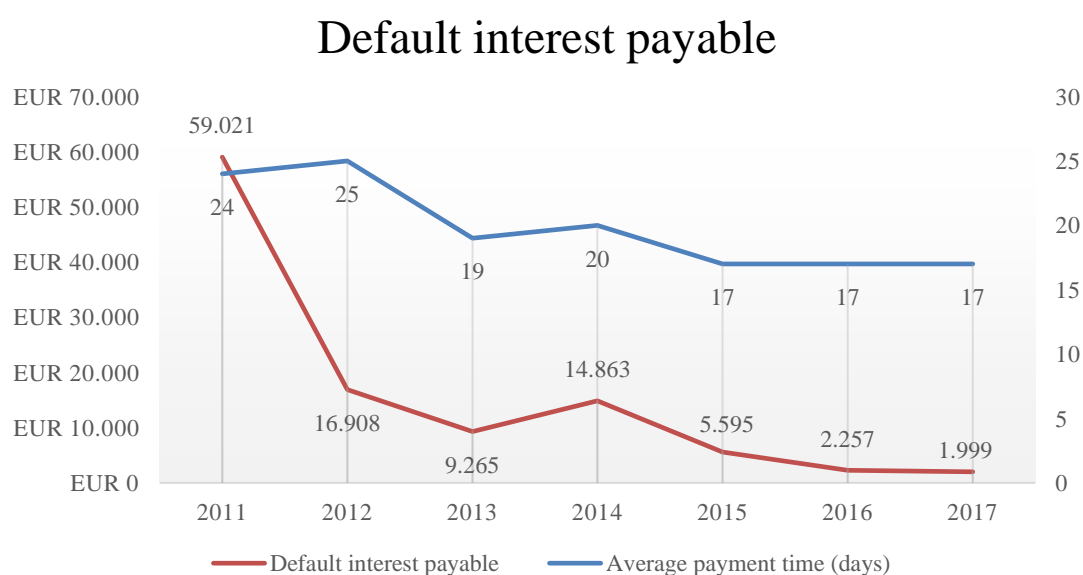
³ This report covers compliance with payment time limits for invoices recorded in the FINORD application.

INVOICES PAID	2016	Ratio	2017	Ratio (*)
Total				
Total invoiced (€)	674 690 831.40		600 009 684.76	
Number of invoices	21 839		21 810	
Average payment period (days)	17		17	
Paid by the time limit				
Total invoiced (€)	663 510 736.60	98.30%	589 136 316.65	98.20%
Number of invoices	20 134	92.20%	20 423	93.60%
Paid after the time limit				
Total invoiced (€)	11 180 094.80	1.70%	11 077 319.20	1.80%
Number of invoices	1 705	7.80%	1 387	6.40%
Default interest paid automatically (> € 200)				
Total invoiced (€)	565 678.94	0.10%	346 577.07	0.10%
Number of invoices	8	0.04%	7	0.03%
Default interest payable (€)	2 256.72	0.0003%	1 998.51	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 21 810 invoices paid in 2017, with a total value of nearly € 600 million, 93.6 % (accounting for 98.2 % of the total value) were paid within the contractual time limit, which represents a better performance than in 2016 in terms of number and is stable in terms of value (in 2016, 92.2 % of invoices, accounting for 98.3 % of the total value, were paid within the contractual time limit).
9. Of the invoices paid late in 2017, seven (accounting for 0.03% of the invoices paid and 0.1% of the total value) led to automatic payment of default interest totalling € 1 998.51 (0.0003% of the total invoiced).
10. In instances where default interest would have been less than or equal to € 200 and therefore payable only in response to requests from suppliers, no requests were received.
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 officers. 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 2016, 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 and was maintained in 2017.

14. The total amount of default interest payable automatically remains very small in relation to the sums paid to Parliament's 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. The improvements made in previous years continued in 2017, when the figure was € 1 998.51.
15. The graph below shows the steady improvement from 2011 to 2017 in both the amount of default interest payable automatically (> € 200) and Parliament's average payment period.



16. In conclusion, 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 2016, and the amount of default interest payable automatically has fallen. As a result, accordingly, of invoice digitisation by the Accounting and Treasury Unit, of electronic signing, which has improved internal financial circuits in the directorates-general, and of partially paperless invoicing circuits, the overall figures for 2017 show a consolidation of the positive results achieved in 2016. Accordingly, Parliament's Administration has satisfactorily dealt with payment requests and invoices received.