

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

Report on compliance with payment time limits in 2018

(Article 116 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council

June 2018

1. Payment time limits in 2018 were governed by Article 116 of the Financial Regulation¹ (hereinafter 'the FR'). Under Article 116(1) FR, 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 116(5) FR makes it mandatory for each institution to pay default interest if it exceeds EUR 200. Default interest of less than EUR 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. In such cases, 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)². 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 2018 increased by one day. In 2017, it was 17 days; and it is 18 days in 2018. It is therefore still significantly 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 EUR 200 which led to automatic payment of default interest. It also shows how the figures for 2018 and 2017 compare.

¹ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ L 193, 30.7.2018, p. 1). Article 116 shall apply from 1 January 2019 as regards the implementation of the administrative appropriations of Union institutions. Before that date the rules regarding payment time limits were set by Article 92 of 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 (OJ L 298, 26.10.2012, p. 1)

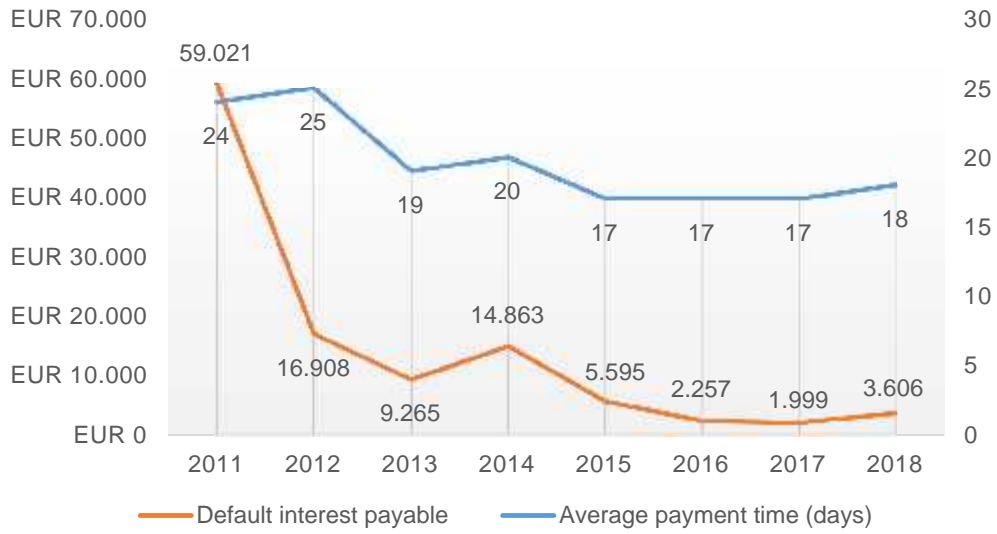
² This report covers compliance with payment time limits for invoices recorded in the FINORD application.

INVOICES PAID	2017	Ratio	2018	Ratio (*)
Total				
Total invoiced (€)	600 009 684.76		569.953.170,23	
Number of invoices	21 810		21.809	
Average payment period (days)	17		18	
Paid by the time limit				
Total invoiced (€)	589 136 316.65	98.20%	555 526 059.12	97.50%
Number of invoices	20 423	93.60%	20 187	92.60%
Paid after the time limit				
Total invoiced (€)	11 077 319.20	1.80%	14 427 111.11	2.50%
Number of invoices	1 387	6.40%	1 622	7.40%
Default interest paid automatically (> € 200)				
Total invoiced (€)	346 577.07	0.10%	2 113 841.65	0.40%
Number of invoices	7	0.03%	12	0.06%
Default interest payable (€)	1 998.51	0.0003%	3 605.97	0.0006%

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

8. The table shows that out of 21 809 invoices paid in 2018, with a total value of nearly EUR 600 million, 92.6 % (accounting for 97.5 % of the total value) were paid within the contractual time limit, which represents a slightly worse performance than in 2017 both in terms of numbers and value (in 2017, 93.6 % of invoices, accounting for 98.2 % of the total value, were paid within the contractual time limit).
9. Of the invoices paid late in 2018, twelve (accounting for 0.06% of the invoices paid and 0.4% of the total value) led to automatic payment of default interest totalling EUR 3 605.97 (0.0006% of the total invoiced).
10. In instances where default interest would have been less than or equal to EUR 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. The reasons seem to be always the same, aggravated by the mobility of financial staff following internal reorganisation of services.
12. The total amount of default interest payable automatically in 2018 remains very small in relation to the sums paid to Parliament's contractors (EUR 3 605.97, 0.0006% of the total invoiced), even if it has increased when compared to 2017 (EUR 1 998.51, 0.0003% of the total invoiced) .
13. The graph below shows an almost steady improvement from 2011 to 2017 in both the amount of default interest payable automatically (> EUR 200) and Parliament's average payment period and a slight inversion in 2018 for those two indicators.

Default interest payable



14. 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. Even if the average payment time and the default interest payable have slightly increased in 2018, it can be concluded that Parliament's administration has successfully dealt with payment requests and invoices received.