

# REPORT ON COMPLIANCE WITH PAYMENT TIME LIMITS



Article 116 of the Financial Regulation

DG Finance  
Central Financial Unit

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1. Payment time limits are governed by Article 116 of the Financial Regulation<sup>1</sup> ('FR'). Under Article 116(1) FR, payments must be made within 30 calendar days of the date on which a payment request is received. If payments depend on the approval of a report or a certificate, however, time limits may be as long as 60 days or even 90 days if the technical services covered by the report or certificate are particularly complex to evaluate.
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. Article 116(6) FR 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 IT application for authorising officers' budgetary management (FINORD) has been used in the year 2019 to monitor invoices and, in particular, payment time limits (checklists, email alerts)<sup>2</sup>. 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 - must also be recorded.
5. The average payment period for invoices in 2019 increased by one day. In 2018, it was 18 days; and it is 19 days in 2019. That is still significantly less than the contractual payment period of 30 days for service, supplies, works and other contracts.
6. 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 2019 and 2018 compare.

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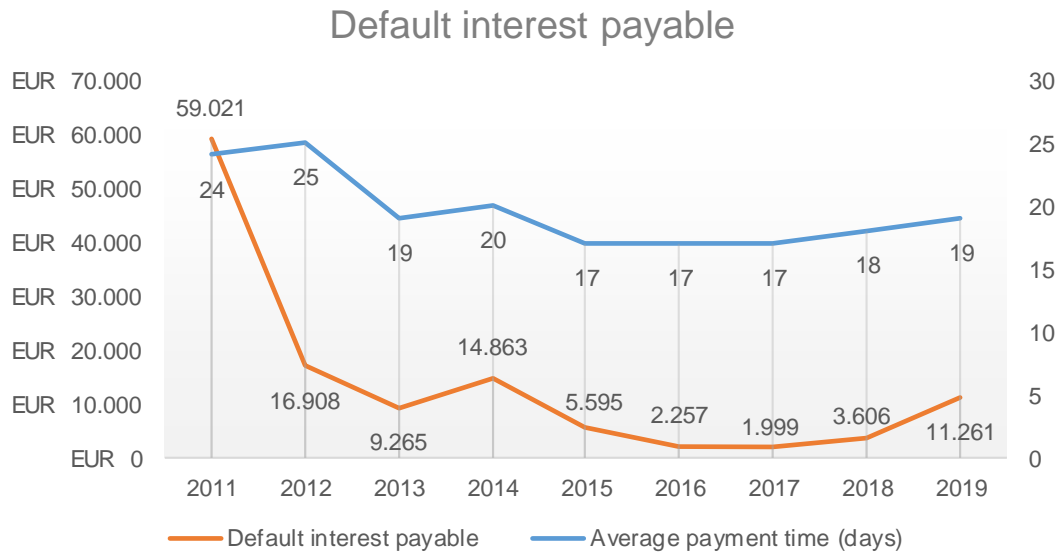
<sup>1</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ L 193, 30.7.2018, p. 1).

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

INVOICES PAID	2019	Ratio	2018	Ratio (*)
<b>Total</b>				
Total invoiced (€)	645 219 118.15		569 953 170.23	
Number of invoices	21 559		21 809	
Average payment period (days)	19		18	
<b>Paid by the time limit</b>				
Total invoiced (€)	614 308 279.61	95.2%	555 526 059.12	97.5%
Number of invoices	19 769	91.7%	20 187	92.6%
<b>Paid after the time limit</b>				
Total invoiced (€)	30 910 838.54	4.8%	14 427 111.11	2.5%
Number of invoices	1 790	8.3%	1 622	7.4%
Default interest paid automatically ( > € 200)				
Total invoiced (€)	8 455 186.19	1.3%	2 113 841.65	0.4%
Number of invoices	17	0.08%	12	0.06%
Default interest payable (€)	11 260.56	0.0017%	3 605.97	0.0006%

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

7. The table shows that out of 21 559 invoices paid in 2019, with a total value of EUR 645 million, 91.7 % (accounting for 95,2 % of the total value) were paid within the contractual time limit, which represents a slightly worse performance than in 2018 both in terms of numbers and value (in 2018, 92.6 % of invoices, accounting for 97.5 % of the total value, were paid within the contractual time limit).
8. Of the invoices paid late in 2019, 17 (accounting for 0.08% of the invoices paid and 0.4% of the total value) led to automatic payment of default interest totalling EUR 11 260.56 (0.0017% of the total invoiced).
9. 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.
10. The most common reason for failure to make payments within the set time limit was 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). The second most common reason for late payment is the geographical dispersion of financial officers. Other reasons for non-compliance with the payment deadline include absences, the turnover of financial actors, financial circuits based on internal distribution of paper files and late delivery of invoices. The reasons seem to be always the same, aggravated by the mobility of financial staff following the internal reorganisation of services.
11. The total amount of default interest payable automatically in 2019 remains very small in relation to the sums paid to Parliament's contractors (EUR 11 260.56 or 0.0017% of the total invoiced), even if it has increased compared to 2018.
12. 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 and 2019 for those two indicators.



13. Parliament's administration has managed to keep the average payment period for invoices clearly 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 2019, it can be concluded that Parliament's administration has successfully dealt with payment requests and invoices received.
  
14. The financial year 2020 will be the first year with the new SAP-based Financial Management System (FMS), which has replaced FINORD. It is expected that the introduction of the new system might lead to slightly longer payment periods or higher interests to be paid in the first months of 2020, as staff has to adjust to a new system and to new procedures. Once staff has adjusted to the new system, average payment times should be reduced as the new system is fully digital. That should speed up the handling and execution of payments, particularly if finance staff is geographically dispersed.