



FOLKETINGET
STATSREVISORERNE



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RIGSREVISIONEN

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Extract from Rigsrevisionen's report
submitted to the Public Accounts Committee

The state's payment behavior

1. Introduction

1.1. Purpose and conclusion

1. This report examines whether ministries pay private suppliers on time.

In the reports on the audit of the state accounts for 2022 and 2023, Rigsrevisionen found that the Ministry of Defence had inadequate handling of invoices, resulting in several suppliers not being paid on time. Based on this, Rigsrevisionen has decided to examine all ministries' payment of invoices.

Ministries paid 1.3 million invoices from private suppliers in 2023. If ministries exceed the payment deadline, private suppliers may face liquidity shortages or suffer interest losses for a shorter or longer period. Furthermore, suppliers may struggle to pay their own bills. Exceeding the payment deadline may also impose costs on the state in the form of reminder fees and interest.

2. According to the Interest Act, a public authority cannot agree to a payment deadline exceeding 30 days, and a supplier who does not receive payment on time is entitled to charge interest, reminder fees, and compensation. Ministries are encouraged to agree on a shorter payment deadline, provided that the deadline allows sufficient time for invoice verification and approval before payment. The supplier may choose to grant a longer payment deadline without prior agreement. Consequently, there will be cases where the payment deadline is shorter or longer than 30 days. In this report, we consider an invoice to be paid on time if it is settled within a maximum of 30 days.

3. The purpose of the study is to determine whether the state has a satisfactory payment practice in agreements with private suppliers, i.e., whether ministries pay invoices from private suppliers within a maximum of 30 days.

When we refer to *ministries*, this includes both the department and its subordinate authorities and institutions, such as agencies.

Rigsrevisionen initiated the study in February 2024.

Late payment

In this study, we define *late payment* of invoices to private suppliers as payments made after 30 days. This definition is based on the Danish Agency for Public Finance and Management's "Guidance on Payment Deadlines and Collection of Fees and Interest for Late Payment", which states that public authorities cannot agree to a payment deadline exceeding 30 days.



Conclusion

In 2023, ministries paid 89% of their invoices on time, while 11% were paid late. There is significant variation across ministries. Some ministries pay almost all invoices on time, while others pay 15% or more late. Rigsrevisionen finds it unsatisfactory that some ministries pay a relatively high proportion of invoices late. The consequence is that some private suppliers have not received their payments on time, which may have caused financial losses and reduced their ability to meet their own payment obligations.

Ministries collectively paid 139,238 invoices late in 2023, amounting to a total of DKK 8.8 billion

The three ministries that paid the highest proportion of their invoices late in 2023 were the Ministry of Defence, the Ministry of the Interior and Health, and the Ministry of Digitalisation and Gender Equality. The Ministry of Defence paid 58,666 invoices late, equivalent to 24% of its invoices and a total amount of DKK 3.5 billion. The Ministry of the Interior and Health paid 6,803 invoices late, equivalent to 17% of its invoices and a total amount of DKK 355 million. The Ministry of Digitalisation and Gender Equality paid 1,017 invoices late, equivalent to 15% of its invoices and a total amount of DKK 278 million.

The four ministries that paid the highest proportion of their invoices on time were the Prime Minister's Office, the Ministry of Employment, the Ministry of Social Affairs, Housing, and Senior Citizens, and the Ministry of Justice. The Prime Minister's Office paid 98% of its invoices on time. The other three ministries paid 95% of their invoices on time.

On average, the state took 45 days to process invoices that were paid late. Of these 45 days, the state spent an average of 31 days on verifying whether the delivered goods matched the order.

In comparison, the state took an average of 13 days to process invoices that were paid on time, of which an average of 6 days was spent on verifying the delivered goods.

In light of the study's results, Rigsrevisionen finds that ministries should make greater efforts to promptly carry out the necessary verification and resolve any disputes with suppliers to ensure compliance with the payment deadline.