

Lesson 6

Contract processing: invoice verification, filling and documentation

In this lesson you will learn:

- how to check invoices submitted by local appraisers
- why you may need to add a supplement to the contract
- filing and documentation requirements
- the financial risks created by poor documentation and filing

6. Contract processing: invoice verification, filing and documentation



6.1 Checking advance payments and invoices

Checking requests for advance payment and the settlement of accounts on the basis of the contract

Amounts are settled and paid on the basis of the contract and the corresponding payment terms.

If the contract stipulates that advance payments may be made, the amount in question can only be paid if both parties have signed the contract and the appraiser has requested a written advance payment.

Any interim payments must comply with the schedule, settlement periods and maximum amounts specified in the payment plan. The appraiser must submit an interim invoice with the associated vouchers. In addition, the officer responsible for the commission must confirm that the appraiser has actually provided the services/work/labour for which payment is being requested. If the appraiser has procured materials and equipment, he/she must submit the handover record.

Responsibility for checking all the above lies with the member of staff responsible for invoice verification at the GIZ office or project (i.e. depending on whether the contract was entered into by the GIZ office or the project).

The above checks can only be performed if the member of staff can view the contract file including the contract and any supplements. Please note that invoices must be checked against the contract (and any supplements), i.e. not against any emails or similar correspondence included in the file. For this reason, all changes must be made in the form of a supplement to the contract.

Filing of invoices

Copies of the invoice and of the original supporting vouchers are to be stored in the contract file. The originals are sent to accounting. Any corrections made to the invoice must be documented. In this case, the contractor should receive a letter explaining the corrections. A copy of this letter is to be added to the contract file (see section 6.3).

In many countries invoices cannot be corrected (usually for tax reasons). If that is the case, the appraiser must issue a new, corrected invoice.

Cross-check principle

Invoices must not be verified by the same person who prepared the contract.

Supplements to the contract

Sometimes the invoiced services/work/labour do not conform with the contract. This may just be a mistake on the part of the contractor, but it is also possible that a change to the contract was discussed by the officer responsible for the commission and the contractor but was never formalised. Any changes to the contract must be made in writing as prescribed in the contract. Changes based solely on verbal agreements are invalid. A supplement to the contract is required, for example, if the parties agree on an extension, changes to the terms of reference or an increase in the number of expert days.

The supplement must be drawn up in the same format as the original contract. The GIZ office enters the supplement in CoSoft. At project level, this is done using the appropriate Word document. The supplement should include only those items which need to be changed. Please do not issue a new 'modified' contract.

Please note that a contractual supplement is a legally binding document. This means that in line with the GIZ office's rules on signing authority, it must be signed in duplicate by GIZ and by the contractor. If the supplement involves an increase in the value of the contract, you will need to check whether the signing authority threshold has been exceeded. If this is the case, a different signatory may be required.

Rather than waiting for the final invoice to arrive, supplements should be issued as soon as additional inputs and remuneration are agreed between the contractor and the officer responsible for the commission and before expiry of the contract.

Invoice and certification that services/work/labour have been provided

The invoice should be structured on the same basis as the items of remuneration agreed upon in the contract. However, if your country has established rules for the structure of an invoice you should of course comply with those rules.

Once the services/work/labour have been provided and completed, the officer responsible for the commission must issue certification of performance. A specimen document is provided below.

Invoices may only be paid once written certification of performance has been submitted.

Certification of performance for appraisers and consulting firms

giz	Certification of performance for appraisers and consulting firms	
Project name:		
Officer -responsible for the commission/ Principal Advisor:	Project no.:	Contract no.:
Contractor's name:		
Special notes on invoicing:		

Please certify that performance was in accordance with the contract and the agreed ToR for the above contract.

To be completed by the officer responsible for the commission		
Performance according to the contract was		
<input type="checkbox"/> complete		
<input type="checkbox"/> partial, with the following restrictions: <hr/> <hr/> <hr/>		
<input type="checkbox"/> There was no performance. Reason (attach appendices if necessary): 		
Place/date	Name of officer responsible for the commission	Signature of officer responsible for the commission

6.2 Documentation and filing



As required by P+R, GIZ maintains a document management system. In part, this system is designed to ensure compliance with statutory rules on the length of time files must be retained. To this end, all documents are filed once in up-to-date form. Documents are filed in digital (DMS) and/or paper form depending on the GIZ office's legal obligations in the partner country. This document management system includes an obligation to create a file for every contract and to manage this file in the prescribed manner.

Even if contracts are drawn up according to the rules and fees agreed on the basis of the fee schedule, this may not be clear from the contract file and may not be traceable if audited. Thorough documentation must therefore be provided in the file in order to meet the strict transparency requirements that apply to contracts.

Apart from this general principle, transparency is also a question of risk. Poor and unclear filing can lead to substantial financial losses for GIZ. GIZ projects and programmes are externally audited on a regular basis. At this point, if files are missing or do not plausibly support contract award decisions, the scope and amount of remuneration, payments and other financial transactions, those items will not be reimbursed by BMZ or GIZ's other commissioning parties/clients.

If this occurs, the costs in question will have to be deducted from GIZ's profit.

That is why proper documentation is absolutely vital. It is not enough that someone remembers the arrangements made or that we at GIZ have complete confidence in the contractor. It must be possible for an external auditor – within a reasonable amount of time – to understand what was agreed and paid and why; why a particular contractor was selected; how the lump sum payments are structured; whether the services/work/labour were actually provided; and whether the agreed price was appropriate and in line with the market.

The contract file must therefore be complete. In addition to the actual contract, it must contain key information about the entire process. That is also an P+R rule. Deviations from P+R standards must be documented in writing and briefly explained.

It is therefore important to not only to do everything the right way, but also to document all the necessary information in the contract file in such a way that an uninvolved third party (e.g. an auditor) can follow the entire process and understand the decisions taken.

The consequences can be particularly severe if files are mislaid. For this reason the choice of storage location is also important.

Contracts are to remain with the member of staff tasked with processing them until they have been completed and returned (signed) by the contractor.

Once a contract has been formally concluded (i.e. signed by GIZ and the contractor), it should be stored (using the CoSoft number) in the invoice verification group.

Once the contract has ended and the final payment settled, the contract must be placed in the B file of the contract file of the project to which it belongs. As well as the PN number, the B file should contain the label for the corresponding CoSoft numbers and the year (where applicable) to ensure that it can be easily relocated.

6.3 The contract file for a contract with an appraiser should contain:

- ❑ the offer from the appraiser
- ❑ CV if the appraiser is new or the fee has been increased
- ❑ all negotiation documents, internal and external correspondence
- ❑ details of the specified fee with reference to the corresponding group/level of the fee schedule
- ❑ written approval by line manager (if the agreed fee is above the rate specified in the fee schedule)
- ❑ the reasons for awarding the contract
- ❑ a breakdown of lump sums
- ❑ the original contract signed by GIZ and the contractor with all annexes
- ❑ copies of any advance payment request and invoices together with supporting vouchers
- ❑ confirmation by officer responsible for the commission that the contractor has rendered the services/work/labour satisfactorily (certification of performance)
- ❑ any supplements to the contract

Keep in mind: Confidentiality of contractual information

Please make sure that unauthorised persons (especially external visitors or other contractors) are not able to access contract and payment documents and data.

This includes above all visitors and other contractors.



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