



Finance Circular 01/2015

To : Permanent Secretaries
Financial Controllers
Accountant-General
Procurement and Payment Unit, MOFT

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Subject Guidelines on Processing Contractor's Claims for Progress Payments

Recently, a number of cases of irregularities have been uncovered in the course of MOFT compliance reviews pertaining to claims for progress payments in works particularly in construction of new government buildings and/or refurbishment of existing structures. This Memo spells out the procedures to be followed and documentations to be provided by ministries and agencies in support of contractor's claim for progress payments.

As a matter of policy, and effective immediately, the basis of interim or progress payments for all works contracts shall be proof or evidence of a component of work actually completed. Proof or evidence shall be, but is not limited to:

1. Inspection Reports based on contractor's signed certificate of actual work accomplished; and
2. Photos of sites or structures; for structures, front side, left side, back side, and perspective or full view.

Under the PFM Act [Clauses 14(a) to 14(c)], Financial Controllers (FCs) are made responsible for ensuring that contractor's claims for progress payments are legitimate and factual. FCs are hereby obliged to report to MOFT any false claims or other forms of irregularities regarding progress payments. In no case payment shall be made to a contractor's claim without the required proof or evidence. Incidentally, a proposed scheme of payment for work still to be done, otherwise called "advancing an interim payment," is risky, anomalous, and not consistent with standard local and international construction industry practice, and therefore shall be rejected outright.

In this connection, effective immediately, the Payment Schedule clause of all new works contracts submitted for MOFT counter-signing shall stipulate clear payment milestones in the form of a brief description of each component of works to be done. For instance, in a one-storey building construction or repair contract, a progress payment milestone could be "walls, doors, and windows completed [or repaired]," opposite of which stipulates the corresponding amount to be paid for that component, or, "roofing works completed [or repaired]," opposite of which stipulates the corresponding amount to be paid for that component. These measures also apply to transport infrastructure

contracts like specific maintenance, repairs, and rehabilitation of roads, bridges, and wharves.

In processing contractor's claim, MOFT shall, at its discretion and at its expense, request for or engage the services of a qualified technical person and/or infrastructure adviser from any ministry or agency to validate/confirm, independently and separately, any or all of the submitted proof or evidence of partial completion of works.

This Memo also clarifies Section 6, paragraph 6.3, of the *Procurement and Contract Administration Manual 2013*, titled, 'Certification of Progress on Works Contracts.'

I look forward to your usual support and cooperation in adhering to this Memo.



Fred Fakarii
Permanent Secretary
Ministry of Finance and Treasury