

Proof of performance: documented confirmation of rendered supply and service performance

Proof of performance is the documented confirmation that a supplier or service provider has rendered a contractually agreed service in full and free of defects. It forms the basis for reviewing and approving invoices as well as for legal protection in the event of disputes. In industrial procurement, it comprises, depending on the type of service, delivery notes, inspection reports, acceptance declarations or timesheets. A well-organised proof of performance process reduces disputes, accelerates invoice processing and strengthens collaboration with qualified suppliers.

Key facts

- Proof of performance confirms the type, scope, timing and quality of a rendered service and is a prerequisite for invoice review.
- Depending on the type of service, delivery notes, goods receipt inspections, inspection reports, acceptance protocols or timesheets are used.
- Without an unambiguous proof of performance, payments may legitimately be withheld; conversely, it protects the supplier from unjustified refusals.
- The legal design is governed by the German Civil Code (BGB) provisions on contracts for work and sales law, the Value Added Tax Act and, where applicable, EU subsidy and procurement law, and should be examined on a case-by-case basis.
- Digitalised processes with match-and-merge rules typically significantly shorten invoice lead times.
- Proof of performance is a central data source for supplier performance evaluation and supplier management.

Definition: proof of performance

Proof of performance is the formal, verifiable documentation that an agreed delivery or service has actually been rendered, in the contractual scope and in the agreed quality. It serves both contracting parties as the basis of evidence: for the buyer for reviewing and approving payments, for the supplier as proof of their claim for fulfilment.

Distinction from delivery note and acceptance

The delivery note merely documents the dispatch or transfer of goods, whereas the proof of performance comprises the professional confirmation of contractually compliant performance – for example through a goods receipt inspection or an acceptance declaration. For services and work performance, a formal acceptance or an inspection report often takes the place of the goods receipt. In practice, the two documents often merge into a single electronic goods receipt document, but legally the proof of performance remains the stronger, quality-related confirmation.

Legal classification

In the purchase of goods, the proof of performance serves to examine whether the risk has passed to the buyer and whether defects exist; in a contract for work, the due date of remuneration is typically linked to acceptance. For VAT performance audits and for funding or public grants, strict formal requirements sometimes apply to evidence documents. The specific obligations depend on the contract design, the industry and the legal system, and should be clearly fixed contractually and legally reviewed on a case-by-case basis.

Types of proof of performance in procurement

The required scope of evidence depends on the type of service, the criticality level of the item and contractual arrangements. Standard and C parts usually require only a simple receipt document, while A parts, custom-made products and cost-plus or service performance require multi-stage evidence processes.

Evidence for deliveries of goods

For material deliveries, proofs of performance typically consist of delivery note, packing slip, delivery note numbering with reference to the purchase order, inspection and measurement reports and, for relevant parts, certificates of origin and certificates (e.g. material test reports, declarations of conformity). Traceability via lot number plays a central role for safety-relevant parts: it links the received batch, production batch and point of use. Particularly for parts with special characteristics, customer-industry standards require seamless documented evidence.

Evidence for services and work performance

For maintenance, engineering or assembly services, site diaries, timesheets, partial acceptance protocols and inspection reports serve as proof of performance. The agreed evidence format is important: verbal confirmations or blanket collective reports frequently lead in practice to disputes about scope and remuneration. For framework agreements with call-offs, a quantitative target-actual comparison per call-off is recommended.

Evidence for recurring framework agreements

For long-term supply relationships, a standardised, digital evidence structure has proven its worth, automatically linking order number, lot number, inspection status and receipt date. This also allows complaint cases and the complaint rate to be reliably evaluated at a later stage. Framework agreements should regulate which evidence formats are binding and at what intervals quantity and value reconciliations take place.

Process and methods: from goods receipt to invoice approval

A structured proof of performance process follows the triad of purchase order – proof of performance – invoice. The objective is that no invoice is paid without a documented, reconciled proof of performance and that deviations are clarified before payment.

Three-way match and match-and-merge rules

The classic three-way match (purchase order, goods receipt, invoice) is the operational heart of proof of performance. In modern systems, match-and-merge rules define which tolerances in price, quantity and line items are automatically accepted and which cases must be reviewed manually. In practice, with

clear tolerance rules and clean master data governance, well over half of invoices can be processed without manual intervention – the specific automation rate depends on data quality and product range.

Goods receipt inspection and documentation

The goods receipt inspection comprises quantitative and qualitative inspection steps, the depth of which is determined by inspection classes: full inspection for critical parts, sampling for standard parts, purely quantitative checks for C items. Results must be documented in an audit-proof manner, including findings in the event of deviations and complaints triggered. Clear labelling of inspected batches prevents later disputes as to whether a defect already existed at receipt.

Acceptance and payment logic for project performance

For project and work performance, a milestone logic is recommended: each milestone is assigned defined evidence documents and a binding acceptance process with short review periods. Payment approvals should be linked to positive acceptance, with final amounts and warranty retentions agreed contractually. This keeps proof of performance the control instrument for payments rather than a document contested after the fact.

Key KPIs around proof of performance

The evidence process provides valuable indicators for supplier management. Those who systematically evaluate proofs of performance identify problems with quality, delivery dates and data quality at an early stage.

Process indicators

Key indicators are the proportion of automatically matched invoices, the lead time from goods receipt to payment, the rate of deviating proofs of performance and the proportion of missing or retrospectively submitted documents. These figures also serve as an input signal for supplier performance evaluation, for example in combination with the on-time payment rate as the buyer-side counterpart. A fair, fast payment process is itself a hallmark of procurement quality and strengthens the supplier relationship.

Supplier-related evaluation

Per supplier, complaint rate, error rate at goods receipt, evidence compliance and delivery reliability can be aggregated. These indicators feed supplier management and provide the basis for supplier segmentation and targeted development measures from the measures pipeline. For critical suppliers, the findings additionally feed into supplier risk management, as suppliers with weak documentation also constitute a transparency risk.

Risks, controls and compliance

Missing or deficient proofs of performance create financial, legal and compliance risks. Conversely, controls must not slow the process so much that the supply relationship suffers – balancing this is the real design challenge.

Typical risks

Common risks are payments without reliable evidence, duplicate or incorrect invoicing of services, loss of warranty claims due to missing documentation and lack of traceability in the event of complaints. Particularly critical is the connection to supply chain compliance: without documented evidence of origin

and supply stages, obligations under the Supply Chain Act can only be fulfilled inadequately. For obsolete and legacy stock, too, the quality of evidence determines whether values can still be reported in a reliable manner.

Controls and contractual provisions

Effective controls begin with the contract: evidence formats, transmission channels, deadlines and consequences of missing evidence should be bindingly regulated there. In addition, the four-eyes principle for acceptances, system-supported tolerance checks and periodic sample audits of completed transactions are effective. For sensitive technical data in the evidence process, a non-disclosure agreement (NDA) is recommended to protect inspection and process data.

Audit security and data quality

Proofs of performance must be archived in an audit-proof, immutable and retrievable manner; retention periods are governed by commercial and tax law and must be examined on a case-by-case basis. A clean master data foundation is a prerequisite: without master data governance – uniform material numbers, units of measure, price documentation – any automated matching fails. Data quality is thus a precondition for efficient evidence processes.

Current developments: digitalisation and evidence obligations

Proof of performance is increasingly shifting from paper documents to structured electronic data. At the same time, regulatory requirements for traceability and supply chain documentation are growing.

E-documents and automation

Electronic delivery notes, digital inspection reports and structured e-invoices are increasingly replacing paper processes. In practice, end-to-end digitalisation significantly improves lead times and creates the data basis for evaluating volume tiers, price deviations and service level targets per product group. Anyone connecting suppliers to digital evidence processes should do so step by step with clear prioritisation based on supplier segmentation.

Traceability and sustainability evidence

In addition, evidence of origin, carbon footprint and social standards along the supply chain is required. Raw material price adjustment clauses and certificates of origin are increasingly merging with classic proofs of performance into an integrated compliance document. Buyers are well advised to anchor evidence requirements early in tenders and framework agreements rather than demanding them retrospectively.

Evidence as an instrument of cost transparency

Detailed proofs of performance for services and work performance – such as hours and material statements – enable should-cost analyses and the build-up of a should-cost library. This turns proof of performance from a mere control instrument into a lever for cost optimisation and negotiation. This perspective is particularly worthwhile for regular, recurring services.

Typical metrics

Degree of invoice matching automation: typically > 60%

Proportion of invoices without manual review; dependent on data quality and product range

Rate of deviating proofs of performance: typically < 5%

Proportion of transactions with quantity, price or document deviations

Lead time from receipt to payment approval: typically a few working days

the shorter, the fairer towards suppliers and the better the on-time payment rate

Evidence compliance per supplier: > 95%

Proportion of deliveries with complete, contractually compliant evidence documents; input signal for supplier performance evaluation

Practical example

A medium-sized mechanical engineering company repeatedly had disputes with its suppliers about delivered quantities and retrospectively invoiced service hours. Invoices were sometimes paid without reliable evidence, inspection documents were scattered in paper form, and the complaint rate could hardly be evaluated in a reliable manner. The company therefore introduced a standardised digital evidence procedure that systematically links purchase order, goods receipt and invoice.

- Binding evidence formats and tolerance rules per product group were fixed in framework agreements.
- Match-and-merge rules in the ERP system automated the three-way match for standard parts.
- A mandatory lot number requirement for safety-relevant parts created seamless traceability back to the production batch.
- The evaluation of incoming data continuously fed the supplier performance evaluation and targeted supplier meetings.

Conclusion

Proof of performance is far more than a formality at the end of the procurement process: it is the documented basis for payments, warranties, traceability and supplier evaluation. Companies with clear evidence rules in the contract, digitalised matching processes and clean master data save time, avoid disputes and gain reliable indicators. At the same time, regulatory requirements for evidence documentation along the supply chain are growing. Those who design evidence obligations early, uniformly and pragmatically turn a control obligation into a genuine control lever for procurement and supplier management.

Frequently asked questions

What is a proof of performance in simple terms?

A proof of performance is the documented confirmation that a supplier or service provider has rendered an agreed service in full and in accordance with the contract. Depending on the type of service, it includes delivery notes, inspection reports, acceptance declarations or timesheets. Only on the basis of an unambiguous proof of performance is the corresponding invoice reviewed and approved.

When is an invoice due without a proof of performance?

As a general rule, no invoice should be paid without a documented proof of performance, where this has been contractually agreed. For the purchase of goods, payment due date may be contractually linked to goods receipt; for contracts for work, it is typically linked to acceptance. The specific due date and evidence rules should be clearly regulated in the contract and in the terms and conditions of purchase;

in case of doubt, a legal review of the individual case is advisable.

Which documents form part of the proof of performance?

For deliveries of goods, typically delivery notes, packing slips, inspection and material certificates and, where applicable, lot numbers for traceability. For services and work performance, site diaries, timesheets, inspection reports and acceptance protocols are included. The binding scope should be defined contractually to avoid later disputes.

What is the difference between proof of performance and acceptance?

Acceptance is the formal declaration that work performance has been rendered in accordance with the contract and, as a rule, triggers the payment obligation. Proof of performance is the umbrella term for all documents evidencing the rendering of the service, including delivery notes and protocols. Acceptance is therefore often part of the proof of performance, but not every proof of performance constitutes an acceptance.

How long must proofs of performance be retained?

Retention periods are governed by commercial and tax law provisions and may vary in length depending on the document type. In addition, warranty and limitation periods may require longer retention. The specific periods should be examined from a tax and legal perspective on a case-by-case basis.

How can the proof of performance process be automated successfully?

The foundations are clean master data, clearly defined tolerances and system-supported match-and-merge rules for matching purchase order, goods receipt and invoice. Onboarding should be prioritised via supplier segmentation – critical suppliers first. In parallel, exceptions and deviations must be given a clearly regulated clarification process with defined responsibilities.