

GUIDELINES

TO THE NOTICE FOR COLLECTING OFFERS FOR AWARDING THE PUBLIC
PROCUREMENT WITH SUBJECT:

**„IMPLEMENTATION OF AN AUDIT OF THE COSTS FOR FINANCING OF IGB PROJECT,
GRANTED UNDER EUROPEAN ENERGY PROGRAMME FOR RECOVERY (EEPR) AND
UNDER OPERATIONAL PROGRAMME „INNOVATIONS AND COMPETITIVENESS
(OPIC)“**

PURSUANT TO THE PROCEDURE OF CHAPTER TWENTY-SIX, ART.187 AND THE
FOLLOWING OF THE PUBLIC PROCUREMENT ACT

Sofia, 2020

1. CONTRACTING AUTHORITY.

The realization of the IGB project is made by the investment company "ICGB" AD, at which shareholders with equal interest are the Bulgarian company "Bulgarian energy holding" EAD (50%) and the Greek company Intersystem connector Greece-Italy Poseidon SA (50%). "ICGB" AD is established as a project company with main purpose to construct, put into operation and operate the gas pipeline.

Upon award of the present public procurement pursuant to PPA and Implementing rules of PPA the executive officers, who represent the Company shall act as contracting authorities and shall apply the rules, valid for the sectoral contracting authorities. Contracting authority shall be "ICGB" AD.

2. OBJECTS, SUBJECT MATTER AND SHORT DESCRIPTION OF THE PUBLIC PROCUREMENT.

The subject matter of the public procurement shall be „ **Implementation of an audit of the costs for financing of IGB project, granted under European Energy Programme for Recovery (EEPR) and under Operational programme „Innovations and competitiveness (OPIC)**“

The scope of the contract includes the carrying out of an audit, the issuance of an External Audit Certificate and a report (report on factual findings and verification of costs) on the costs proposed by the Contracting Authority for reimbursement in its role as a beneficiary under the relevant grant programs.

The check should include:

- 1) Submission by the Contracting Authority to the Auditors of a package of documents attached to the respective intermediate / final request for reimbursement;
- 2) Verification by the auditors of a package of documents provided by the Contracting Authority;
- 3) Submission by the auditors to the Contracting Authority of a list of deficiencies / inaccuracies in the documentation (if any).
- 4) Issuing of an audit certificate report by the Auditors (after elimination of gaps in the documentation by the Client);

For the European Energy Program for Recovery, the maximum number of interim requests and reports, respectively, authorized under the program is 3 and up to 70% of the approved funding. The final report is issued after completion of all project activities.

With regard to the Operational Program "Innovation and Competitiveness" (OPIC), in accordance with OPIC provisions, prior verification of the intermediate payment requests is not obligatory.

In the final report sent to the relevant OPIC bodies, a request for reimbursement of up to the undisbursed grant amount at the time of the request, as well as a review and preparation of a report on the full amount of reimbursement of the OPIC reimbursement requested, should be made (ie interim requests).

Detailed description of the requirements, related to the implementation of the public procurement is presented in the technical specification, attached to the documentation.

Subject of the public procurement

Object of the present public procurement shall be „service” by virtue of art. 3, para 1, i. 3 of PPA.

3. ORDER AND LEGAL GROUNDS FOR AWARD OF THE PUBLIC PROCUREMENT.

Collection of offers with a notice on the grounds of art. 186 - art. 195 in relation to art. 20, para 3, i. 2 of PPA.

4. TERM OF IMPLEMENTATION.

The present contract shall be executed for a period of 36 months as considered from the date of its signing from the parties. The term for implementation of the particular activities shall be until the issuance of Taking over certificate for the construction of Interconnector Greece-Bulgaria but not more than 9 (nine) months as of the date of the end of construction.

5. PLACE OF IMPLEMENTATION.

The place of implementation shall be "ICGB" AD, Sofia, No 13 Veslets str., on the territory of Republic of Bulgaria.

6. CONDITIONS FOR IMPLEMENTATION.

3.1. Any Bulgarian or foreign natural or legal person or their alliances may submit an offer for implementation of the public procurement as well as any other formation which is entitled to perform the service under the subject of the procurement pursuant to the legislation of the country in which it is established, which meets the conditions of the Contracting authority and for which the circumstances under art. 54, par. 1 do not exist, which has to be proven by a declaration under specific (template).

3.2. Each participant may submit only one offer.

3.3. A person which participates in an alliance or has given consent to be a subcontractor of another applicant or participant may not submit an offer individually.

3.4. One natural or legal person may participate in only one alliance.

3.5. Related persons may not be individual participants in one and the same procurement.

"Related persons" means:

a) persons one of which controls the other person or its subsidiary;

b) persons the activities of which are controlled by a third party;

c) persons who jointly control a third party;

d) spouses, relatives in the direct line without limitation and in the collateral line up to fourth degree inclusive, and relatives by affinity up to the fourth degree inclusive.

"Control" exists where one person:

a) holds, including through a subsidiary or under an agreement with another person, more than 50 percent of the votes at the general meeting of a company or another legal authority; or

b) may appoint, directly or indirectly, more than half of the members of the governing or the control body of a legal authority; or

c) may otherwise exercise a decisive influence on the decision-making in relation to the business of a legal authority.

3.6. Variants of the offer are not allowed.

3.7. When preparing the offer each participant shall have to strictly comply with the conditions announced by the contracting authority.

3.8. The offer shall be prepared in Bulgarian and English.

3.9. By expiry of the deadline for submission of offers each participant may change, supplement to or withdraw its offer.

3.10. The Contracting authority shall exclude a participant to which the grounds of art. 54, par. 1 apply which have arisen before or at the time of the procurement. The latter shall also apply when a

participant in the procedure is an alliance of natural and/or legal persons and any of the grounds for exclusion is applicable for a member of the alliance.

3.10.1. A participant, for which there are grounds for exclusion under the previous item shall have the right to submit evidence that it has taken measures which guarantee its reliability pursuant to art. 56, par. 1 PPA, namely that:

- they have paid off their obligations under Art. 54, Par.1, item 3 PPA, including the accrued interests and/or fines or that they have been deferred, delayed or guaranteed;
- they have paid or are in a process of payment of due compensation for all the damages incurred as a result of the crime or violation committed by them;
- they have explained exhaustively the facts and circumstances, having actively assisted the competent bodies, and have fulfilled concrete recommendations, technical, organizational and human resource measures through which new crimes or violation will be prevented.

The grounds for exclusion shall apply until expiry of the terms stipulated in art. 57, par. 3 PPA about the applicable grounds for exclusion.

3.11. All templates of documents are published on the Buyer's profile of the Contracting Authority on the website indicated in the notice.

3.12. All costs related to preparation and submission of offers shall be at the expense of participants.

3.13. When preparing the offer the participants shall be obliged to comply with the requirements of the Contracting authority.

3.14. Subcontractors shall have to meet the respective selection criteria as per the type and part of the procurement they are to perform and no grounds for exclusion from the procedure have to be valid for them. The contracting authority shall require a subcontractor that does not meet these requirements to be replaced.

3.15. On the grounds of art.4, i. 23, in connection with art. 3, i.1 of the Measures against money laundering act (MAMLA) as a measure of prevention for the use of the financial system for the purposes of money laundering, the contracting authorities have to make a complex check of the clients, which pursuant to art. 10, i. 2 of the same act includes actions for checking its identification in a way, providing enough reasons for the person under art. 4 to consider as identified the beneficial owner under the Measures against money laundering act. In this context, information about any natural person, who is a beneficial owner of the legal person, may be:

- Information from the respective Trade register and certificate, contact or another valid document according to the legislation of the jurisdiction, in which (these) are registered, which comes from a central register or from a registering agent, from which (document) is seen who are the beneficial owners;
- The documents and information under art. 54, para 1 and 2 of the Measures against money laundering act –original or copy of official statement from the respective register for their good standing certified by notary public and certified copy of the articles of association, the memorandum of association or from another document,
- Other documents, from which to be seen the beneficial owner, the nature and type of ownership or control over a company, of which to be seen who is the actual beneficial owner.

In relation to the above-stated, the participant, selected for a contractor, has to submit a declaration under art. 59, para 1, i. 3 of MAMLA according to (specific) template under Appendix №2 to art. 37, para 1 of the Implementing rules of MAMLA, declaration under art. 42, para 2, i.2 of MAMLA under template according to Appendix №1 to art. 26, para 1 of the Implementing rules of MAMLA.

The circumstances under the declaration shall apply also when a participant is alliance (consortium) of natural and/or legal persons and for a member of the alliance exist any of the grounds for exclusion, as well as for the subcontractors and the third parties, if any.

4. FINANCIAL CONDITIONS.

4.1. The total cost of the offer of participants, the procurement respectively, may not exceed the forecast values set in the notice.

4.2. The price offer should contain prices in BGN.

4.3. Prices offered are fixed and are not subject to further change for the period of validity of the contract except in cases of a reduction (in favor of the Contracting authority), in compliance with the provisions of PPA and the Implementing rules of PPA.

4.4. Payment of the price shall be made as indicated in the draft contract.

5. CONTENT OF THE OFFER. PREPARATION AND SUBMISSION.

5.1. Participants shall have to submit offers within the period set in the notice. Each offer shall be submitted in a sealed, not damaged, non-transparent envelope by the participant in person or by a representative authorized by them or via registered mail with acknowledgement of receipt, by courier and shall be addressed to the place/ adress indicated in the notice.

5.2. The envelope shall contain:

- name of the participant, including participants in the alliance when applicable;
- correspondence address, telephone and if possible- a fax number and e-mail;
- name of the procurement.

5.3. In the event that the participant sends the offer via registered mail, costs shall be borne by them. In this case it shall send the offer in such a way that it is guaranteed that it will arrive at the address indicated by the Contracting Authority within the period set for submission of offers. The risk of delay or loss of offers shall lie with the participant.

5.4. Offers submitted after the deadline or which are not in a sealed envelope or their envelope has been damaged shall not be accepted.

When as of the time of expiry of the deadline for submission of offers at the place for their submission there are people still waiting, they shall be included in a list which is signed by a representative of the Contracting Authority and by the people present. The offers of the people from the list shall be entered into the register. Offers by people who are not in the list may not be accepted.

5.5. Upon a written request made up to three days before expiry of the deadline for submission of offers the contracting authority shall publish on the next working day at the latest at <http://www.icgb.bg/profil-na-kupuvacha/obiavi-i-pokani> in the section Buyer's profile, "Notifications and Invitations", written clarifications on the conditions of the public procurement.

5.6. The offer should contain the following documents:

5.6.1. A list of documents contained in the offer signed and sealed by the participant, under (specific) template.

It is recommended the arrangement of the documents in the offer to correspond to their consecutive order in the list.

5.6.2. Declaration under art. 192, para 3 of PPA under (specific) template /for the circumstances under art. 54, para 1, i. 1, 2 and 7 of PPA/;

5.6.3. Declaration under art. 192, para 3 of PPA under (specific) template / for the circumstances under art. 54, para 1, i. 3 – 6 of PPA/;

5.6.4. Declaration under art. 192, para 3 of PPA for correspondence with the selection criteria.

5.6.5. Technical offer, under (specific) template.

5.6.6. Price offer, under (specific) template.

5.6.7. Information about the participant

When the participant is an alliance of natural and/or legal persons, which is not an individual legal person, a copy of a document for alliance shall be presented from which the grounds for its establishment shall have to be clear, allocation of participation and the activities and responsibilities of the persons in performance of the activities from the procurement and the person representing it and

when the document for establishing an alliance does not indicate the person representing the participants in the alliance- a document shall have to be presented, too signed by the persons in the alliance which indicates the person representing it.

When alliances which are not legal persons participate, compliance with the conditions participants should meet (including the requirements for financial and economic conditions, technical capacity and qualification when applicable) is evidenced by the alliance as a whole and not by each of the persons included in it, except for the respective registration, provision of a certificate or another condition required for performance of the procurement pursuant to the requirements of a normative or administrative act and as per the allocation of participation of persons in performance of the activities envisaged in the document for establishment of an alliance.

5.7. The offer shall be signed by the representative of the participant or by the duly authorized persons for this purpose as an authorization document shall be attached to the offer by the person managing the participant.

5.8. All documents, which are not in original and for which a certification by a notary public is not required, shall have to be certified by the participant on each page with 'A true copy of the original' and the signature of the person/s representing the participant/s, or by the duly authorized persons for that by a power of attorney.

5.9. Upon acceptance of the offer, the number, date and time of receipt shall be indicated on the envelope and the data shall be entered into an Entry register for which a document is issued to the person delivering it.

5.10. The committee appointed through an order by the Contracting Authority shall open the offers as per the order in which they have been submitted and shall announce the price offers. Representatives of the participants may be present during this procedure.

5.11. Opening the offers shall be made at the place, date and time indicated in the notice.

5.12. The committee shall prepare a protocol for consideration and assessment of the offers and for ranking of the participants. The protocol shall be presented to the Contracting Authority for confirmation following which in one and the same day it shall be sent to the participants and shall be published on the buyer's profile.

6. CONCLUSION OF A CONTRACT FOR AWARD OF THE PROCUREMENT

6.1. The Contracting authority shall conclude a written contract with the participant ranked first and nominated for contractor after agreement on the date and way for its execution.

6.2. Prior to the execution of a contract for a public procurement, the Contracting authority shall require from the participant nominated for contractor, to submit updated documents certifying the non-existence of the grounds for exclusion from the procurement as well as compliance with the conditions set in the notice. The documents shall be also submitted for the subcontractors and third parties if there are such.

6.3. The Contracting authority shall execute a contract for a public procurement with the nominated contractor within one month as of the date of nominating the contractor.

6.4. The Contracting authority shall not execute a contract, when the participant, ranked first:

- - refuses to conclude a contact;
- fails to comply with any of the conditions under item 6.2 or
- fails to prove that there are no grounds for exclusion from the procedure.

6.5. When the participant nominated for contractor refuses to conclude a contract, the Contracting Authority shall terminate the procedure or shall nominate for contractor the participant ranked second. Failure to attend at the date agreed on shall be taken also as a refusal, except if failure to attend is due to objective reasons for which the contracting authority has been timely notified.

6.6. For all unsettled issues shall apply the provisions of the Public Procurement Act and the Implementing rules of the Public Procurement Act.

TECHNICAL SPECIFICATION

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WITH SUBJECT MATTER::

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I. General information.

The Contracting authority is beneficiary under the following two programmes:

**1) European Energy Programme for Recovery, approved grant in amount of EUR 118 million
admissible costs with intensity of financing 38,14%;**

The grant from the European Energy Programme for Recovery is approved by decision of the European commission C(2010) 5813 of 30.08.2010, as later the decision was amended 4 times in view of extending the term of admissibility of the costs. The last amendment is by decision C(2018) 6871 of 15.10.2018, by which the term for utilization of the funds is extended till 31.12.2021.

**2) Operational programme „Innovations and competitiveness (OPIC)“, approved financing in
amount of EUR 39 million, of which EUR 33,15 million from the European fund for Regional
development and EUR 5,85 million National financing.**

On 21.12.2018 between the Governing body of OPIC and „ICGB“ AD was executed an administrative contract for direct provision of financial grant for project „Construction of intersystem gas connector Greece-Bulgaria“ in amount of EUR 39 million.

In addition, by decision C(2019) 2636 of 2.4.2019, the European commission has approved the grant as well as admissible costs in amount of EUR 39 million.

The scope has to include all amendments of the above-mentioned decisions. The obligation of the Auditor shall be completed after approval of a Final report from the financing institutions.

II. Scope of the services.

The scope of the contract includes the carrying out of an audit, the issuance of an External Audit Certificate and a report (report on factual findings and verification of costs) on the costs proposed by the Contracting Authority for reimbursement in its role as a beneficiary under the relevant grant programs.

The check should include:

- 1) Submission by the Contracting Authority to the Auditors of a package of documents attached to the respective intermediate / final request for reimbursement;

- 2) Verification by the auditors of a package of documents provided by the Contracting Authority;
- 3) Submission by the auditors to the Contracting Authority of a list of deficiencies / inaccuracies in the documentation (if any).
- 4) Issuing of an audit certificate report by the Auditors (after elimination of gaps in the documentation by the Client);

For the European Energy Program for Recovery, the maximum number of interim requests and reports, respectively, authorized under the program is 3 and up to 70% of the approved funding. The final report is issued after completion of all project activities.

With regard to the Operational Program "Innovation and Competitiveness" (OPIC), in accordance with OPIC provisions, prior verification of the intermediate payment requests is not obligatory.

In the final report sent to the relevant OPIC bodies, a request for reimbursement of up to the undisbursed grant amount at the time of the request, as well as a review and preparation of a report on the full amount of reimbursement of the OPIC reimbursement requested, should be made (ie interim requests).

2.1. Implementation of services for audit of the costs under OPIC.

Within the scope of the audit under OPIC shall fall payments under executed contracts for „Design, procurement and construction of Interconnector Greece – Bulgaria“ and for „Line pipes manufacture and supply for the needs of gas interconnector Greece-Bulgaria”.

Along with that, the audit has to make findings and recommendations regarding the reliable presentation in all aspects of essence in implementation of the project, in accordance with the international auditing standards and to include as a minimum the implementation of the following procedures:

- The selection of contractor under the contracts (Line pipes manufacture and supply and construction, concerning a cost, by which is implemented the project, is made in accordance with the requirements of the national legislation;
- All declared costs have to be real, actually incurred and admissible, in accordance with the requirements of the regulations of the European Union, Decree № 189 of 20 July 2016 for determination of national rules for admissibility of the costs under the programs, co-financed from the European structural and investment funds, for the programme period 2014-2020, instructions and directions from the Ministry of finance and other applicable normative acts and Implementation Guidelines for OPIC;
- The progress under the project, incl. financial and physical, has to be examined by the beneficiary, incl. through inspection of real implementation on the place of the project;
- Accounting systems and accountings (bookings);
- The primary accounting and other accompanying relevant documents (invoices, delivery-and-acceptance protocols, contracts and others with equivalent probative value) have to be available, logically connected and supporting the reported admissible costs under the project;
- There have been observed the requirements regarding the maintenance of an adequate auditing trace and all activities under the respective project have to be duly put in documents as all documents for the costs should be stored and should be available to the national and European control bodies upon request;
- The requests for payment, submitted by the beneficiary have to be correct, complete and to be in a form, required by the Managing body;

- Audit for (existence of) proceeds from the activity (if applicable).

Within the scope of the audit the auditor has to mandatorily make a compliance check for legality of the above-stated procedures on award of public procurements, the signed contracts and the annexes to them, if any. This subsequent control shall be made for observing the applicable normative acts concerning the relevant procedures, related to the award of the relevant types of activities under the project.

As a minimum the auditor shall be obliged to make conformity assessment regarding the legality, as taking into account the applicable legislation, the subject matter and the nature of the activities, included in the approved project, as well as all documents under the Operational programme, as instructions, manuals, directions, guidelines, internal rules and etc.

Within the scope of the audit under the commitment about the above-mentioned procedures should not be included the inspection for legality of the procedure on selection of auditor under the project and the costs for remuneration of the auditor under the executed contract.

The auditor should prepare a final report (Report about factual findings under the project), in which the findings (conclusions) and recommendations of the auditor from the inspection shall be entered.

The report from accomplished commitment for agreed procedures shall be made in accordance with International standard on related services (ISRS) 4400. The report has to comprise a clear description of the ascertained omissions, without auditor's opinion.

The omissions, found from the auditors, should be presented in the report in a way, which to allow the Managing bodies, the Audit body and other control bodies to identify and assess the issues, if any.

The report about factual findings, accompanying the request for a final payment shall comprise all costs, which are declared for recovery in precedent requests for payment.

2.2. Audit on the costs, made within the frameworks of the financing under European energy program for recovery (EEPR).

For each of the sub-actions, described in Decision of the European commission C(2010)5813, amended by decisions C(2012) 6405, C(2015) 3005 and C(2018) 6871 final, for the project is determined co-financing in amount of EUR 45 under the European energy program for recovery (EEPR), for which is claimed an interim payment, the Contractor should prepare an interim financial report about the actually incurred costs under each sub-action, by observing the structure of the estimated budget. In the report have to be described detailed data (containing information) about the actual proceeds and costs for implementation of the action.

The Contractor should prepare a final financial report about the actually incurred admissible costs, observing the structure of the estimated budget, supported by detailed reports about the actual proceeds and final costs for implementation of the action, including consolidated statement with a breakdown between any sub-action;

The examination (review), made by the auditor has to certify with enough confidence, that the costs, included in the financial statements and their accompanying documents, made by the Contracting

authority, as well as the respective bookings in the accounting system, are admissible and meet, but are not limited, (to) the following criteria:

The incurred costs should be:

- actual;
- incurred during the action, as specified in the decision for granting financial aid, except for the costs, related to the final reports and auditors' certificates
- related to the subject of the action and (should be) specified in the estimated total budget of the action;
- necessary for the implementation of the action, which appears subject of the financial aid;
- identifiable and ascertainable, in particular they have to be booked in the accounting system of the beneficiary (at the date of making this audit certificate) and to be determined in accordance with the applicable accounting standards of the county, where the beneficiary is established, and the common accounting practices of the beneficiary;
- in accordance with the requirements of the applicable tax and social legislation;
- grounded, justified and (should) meet the requirements for good financial management, especially as regards the economy and effectiveness.
- In addition, it has to be certified that the claimed costs for recovery do not include inadmissible costs under the program according to the decision of the EC.

In addition, it has to be confirmed that the accounting procedures, used in reporting the admissible costs, observed the accounting rules of the Member-state, in which is established the beneficiary, and allow to be made equalization between the costs, made for the implementation of the actions, covered by the above-mentioned decision of the Commission as well as on the whole activity of the project.

The certificates for the financial reports have to be made by external auditor as the Contractor may be any qualified external auditor, including the normal (customary) external auditor of the beneficiary, save that the following requirements are observed:

- The auditor has to be independent from the beneficiary;
- The auditors have to be qualified to make statutory audits of accounting documents in accordance with the national legislation for implementation of the Eighth directive of the Council concerning the statutory audits of the annual statements and the consolidated statements or any legislation of EU, which replaces the present directive;

In implementing the activity the auditor shall adhere to the requirements of the effective legislation in particular to the requirements of:

- 1) the Independent financial audit act;
- 2) the Accounting act;
- 3) the International accounting standards;
- 4) International standard on related services (ISRS) 4400
- 5) Other applicable national and European normative documents.

Products to be presented from the Contractor:

- Preliminary report on the audit of a package of documents provided by the Contracting Authority related to the interim claims for reimbursement of the European Energy Recovery Program (EERP) and the final request for reimbursement of EERP costs;
- Preliminary report on the audit of the first interim request for reimbursement of OPIC expenses and the final request for reimbursement of OPIC expenses
- Interim reports and final report, sent to the respective bodies of the EERP with a request for the costs recovery.
- Final report, sent to the respective OPIC bodies with a request for the costs recovery for payments under executed contracts for „Design, procurement and construction of intersystem gas connector Greece – Bulgaria“ and for „Line pipes manufacture and supply for the needs of gas interconnector Greece-Bulgaria”

Requirements for presentation of the final products:

The preliminary reports, interim and final audit reports have to be presented in two hard copies and in two copies on an electronic storage medium in Bulgarian and in English.

Other requirements:

The Contractor shall be obliged to implement correctly and duly the agreed works according to the specification, approved by the Contracting authority. The Contractor has to observe all norms in the field of the national and international auditing standards. In case of mistakes on behalf of the Contractor, the same has to remove them at its expense till satisfaction of the requirements of the Contracting authority and till acceptance of the works from the latter.



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