Standard Summary Project Fiche for the Transition Facility

1. **Basic Information**
   1.1 CRIS Number: 2005/17360.05.01
   Twinning: EE05-IB-OT-02
   1.2 Title: Strengthening of AFCOS and its partners by reinforcing the prevention measures against fraud and corruption
   1.3 Sector: Administrative capacity
   1.4 Location: Estonia

2. **Objectives**
   2.1 Overall Objective:
   The sound financial management of the EU support funds and vigorous system for the protection of EU and Estonian financial interests.

   2.2 Project purpose:
   Reinforcing the specialised practical detection and prevention measures against irregularities and fraud within the national administration.

   2.3 Justification:
   Monitoring report issued by the Commission in November 2003 says the following: “In the area of the protection of EC financial interests, Estonia needs to complete the framework and implementing legislation in particular, with a view to defining the powers and co-coordinating role of the anti-fraud co-coordinating service (AFCOS), located within the Ministry of Finance’s Financial Control Department. The AFCOS’ operational capacity also needs to be substantially reinforced, enabling co-operation with OLAF and with other Estonian institutions to be effectively implemented.”

   Chapter 28: Financial Control outlines the need for the protection of the Communities’ financial interests. The monitoring mission was carried out in June 2003, in time where the AFCOS was working but was not yet formally established in the structure of the Ministry of Finance. The conclusion by the Commission was the following:

   Estonia is meeting the majority of the commitments and requirements arising from accession negotiations in the area of protection of EC financial interests. In order to complete preparations for accession, enhanced efforts are required to reinforce its legislation and administrative capacity in this area.”

   Transition Facility Programming and Implementation Guide issued in September 2003 highlights some of the Commission priorities under the Transition Facility, one of them being the development of the AFCOS:
   “Each new Member State shall devote the necessary amount of Transition Facility funds to adequately address the needs identified and to further reinforce their operational and administrative capacity to protect the Communities’ financial
interest and to fight against fraud, including further development of their Anti-Fraud Co-ordination Service (AFCOS).”

The SIGMA assessment ordered by OLAF and finished in May 2004 stresses the need to further develop the AFCOS and its powers and place more emphasis on the prevention:

“The evidence certainly shows that important steps have been taken to increase both institutional and legislative capacities to combat fraud. To date the Estonian approach to the fight against fraud has concentrated almost exclusively on law enforcement. While enforcement is important, prevention is also essential and is a much less (human and fiscal) resource-intensive method of fighting fraud. The objective of eliminating the potential for fraud and corruption can also be reached by means of improved control mechanisms and institution building. So far very few cases of fraud have been identified, but the number of cases is likely to increase in the future, along with activities on improving capacities to identify fraud and serious irregularities.”

3. Description

3.1 Background and justification:

Background
Commission and OLAF encouraged every Acceding Country to establish or designate an operationally independent Anti-Fraud Co-ordination Service (AFCOS). These services are responsible for the co-ordination of all legislative, administrative and operational aspects of the protection of the Communities' financial interests and should be capable of co-operating with OLAF at an operational level. In order to effectively reach this goal AFCOS must ensure sustainable administrative and legal basis for relations with other institutions (both administrative and law enforcement), possess the overview of the weaknesses in the national system and hold the means to initiate the necessary adoptions to administrative and legal systems in order to strengthen the protection of the Communities’ financial interests.

In October 2002 the Government appointed the Ministry of Finance as AFCOS. According to the statute of the Ministry the task belongs to the Financial Control Department. The AFCOS has got mainly the co-ordination, communication and co-operation functions meaning, that AFCOS by itself does not carry out administrative or criminal investigations but rather oversees that relevant administrations would act on the problem. In the future it is foreseen that AFCOS should include also powers for fraud auditing. The number of personnel in AFCOS is limited and it would be rational to outsource bigger programs because this allows including variety of high-level experts from different fields.

Justification
require complex and effective cooperation inside the national administration. One of the AFCOS functions is to be aware of all the aspects of this co-operation and oversee and ensure the proper fulfilment of these requirements. AFCOS must also be conscious how all the elements in this system work – how are the obligations carried out and what are the hindrances, vulnerabilities and risks.

In the current situation officials are not experienced or trained in the specific areas connected to the protection of the Communities financial interests. Irregularities discovered so far have indicated, that solving the irregularities would be much easier if the officials would be adequately trained instead of inventing the ways and means how the irregularities could be corrected.

In the framework of this programme there are several beneficiaries:

- Implementing agencies
- Implementing authorities (ministries)
- Managing authority (Ministry of Finance)
- Paying authority (Ministry of Finance, ARIB – Agricultural Registers and Information Board)
- Auditing Authority (Ministry of Finance)
- AFCOS – Anti-Fraud Co-ordinating Service (Ministry of Finance)
- Tax and Customs Board
- Police bodies (Central Criminal Police, Security Police)
- State Prosecutors’ Office
- State Audit Office

Assessment of Needs
AFCOS has established several problem areas that need attention in the format of increasing the proficiency of officials in specific job tasks because there is a lack of practical level of implementation. To elaborate the problem – the officials are aware of the main rules and principles but in real life are often troubled with classification of specific cases (for example: what are the reasonable – eligible – salary costs for the project leader; how serious irregularity is the information leak from evaluation process; how significant should the unapproved changes be in the project in order to lead to the recovery etc.)

The AFCOS carried out assessment of needs and feasibility study that was combined of different sources: a) selected interviews with representatives from implementing agencies and implementing authorities, b) analysis of the FCD audits and irregularity reports, c) analysis of previous projects. The main problem areas lacking the practical know-how were established as the following:

- Requirements for internal control systems with specific focus on stopping irregularities, fraud and corruption;
- Executing the recovery;
- Prevention of corruption in implementing agencies;
- Special auditing techniques to discover fraud and irregularities;
- Eligibility of expenditures.
Secondly all the members of the AFCOS Steering Committee were asked to carry out the analysis on their specific needs regarding to the protection of the Communities’ financial interests. The feedback was received from the State Prosecutors’ Office, Security Police, Central Criminal Police, Tax- and Customs Board and was the following:

- Forensic accounting in fraud investigations;
- Expertise on analysing the documents and handwriting;
- Revising the bookkeeping of economic operators to discover fraud;
- The collaboration between investigators and prosecutors in cases related to EU funds.

All the organisations that expressed their needs were willing to participate in the project.

The goals
The project is aimed at the topics, that have not been covered before and the scope of the project contains highly specific and focused trainings and activities that are aimed at strengthening the national system for the protection of the Communities’ and state financial interests in specific fields.

The project aims to strengthen the preventive measures against irregularities, fraud and corruption. Secondly to strengthen the detective measures for discovering such irregularities. Target group includes all implementing agencies and authorities, but also auditing authority and paying authority, State Audit Office, Tax and Customs Board, Police bodies and Prosecutors' Office. The aim is to raise the knowledge and skills of relevant officials to sufficient level to protect the Communities' financial interests.

At present no officials have been trained in-depth regarding specific topics related to irregularities: eligibility, recovery, ways of detecting irregularities and fraud, special auditing and investigation techniques etc. This is a high-risk area because of the possible financial damage to the EU budget and to State Budget. To reduce the risks of:

- Irregularities,
- Weak control systems unable to prevent fraud and irregularities,
- Untimely discovered irregularities,
- Unattended irregularities,
- Ineligible expenditure,
- Recoveries that are untimely or not carried out at all etc

The relevant officials must be adequately trained on the specific areas and subjects connected to the before listed problems.

The need to develop the basis created by other projects
So far the only project that has specifically focused on the area of the protection of the EU financial interests has been the PHARE Grant Contract “Fight against fraud affecting the financial interest of the EU”. This is Multi-Country project (MCP) managed by OLAF and financed by the DG Enlargement.
The MCP has been a welcomed and effective program. It has covered most of the relevant areas and given the basic knowledge on the field but has not gone into specific details. Also the training part of the MCP has been more focused on the law-enforcement and investigation and less on the preventive measures and control systems. MCP has mostly been built on the Commission’s experiences and practises. Although this is very valuable, there is also a need to study the practices, which need to be implemented by the member state itself. That could be best done by gaining the experiences and know-how of an “old” member state in the form of a Twinning project.

The MCP has achieved good results in the activities carried out. Relevant officials have been trained in several areas. Some examples:
1. Using the AFIS and CIS information systems;
2. The activities and practices of OLAF;
3. Monetary adjusted risk assessment module in SF, Cohesion and Agricultural funds;
4. Investigation of fraud and corruption linked with the EU support funds;
5. Detection of frauds in Customs regimes;
6. Basic techniques in tracking consignments;
7. Prosecutors judicial co-operation with OLAF;
8. Prosecutor, investigator, trainings co-ordinator and customs officers have been trained in internships in OLAF;
9. Investigations of economic crimes and money laundering etc.

However the MCP has not been able to cover all the relevant issues and some topics need further and more specialised training (e.g. recovery). This present Transition Facility project targets the areas not covered by the MCP or those matters, that need more detailed approach. More detailed description is presented under point 3.2 Linked activities.

The number of officials participating in the MCP activities is limited due to the arrangements of seminars, as in each seminar there are participants from three countries. This means maximum 30 participants from Estonia. In many occasions there have been a lot more candidates than the number of participants allowed. For example on the seminar “Reporting of Irregularities” held in April 2004, 30 participants were allowed, when the AFCOS Estonia organised the similar national seminar in September 2004 there were 178 participants.

This shows a clear need to run the training events nationally allowing to train all the relevant officials and to save costs.

The MCP must have the continuation project that focuses on the areas the MCP did not – highly specific issues related to the preventing and detecting of the irregularities.

**Development of the AFCOS**

The project also aims to strengthen the administrative capacity of the AFCOS Estonia and progress the co-operation and co-ordination establishment between national bodies involved in the protection of the Communities’ financial interest. In the case of Estonia the AFCOS is purely a co-ordinating body placed in the middle of triangle of national administration, law-enforcement agencies and OLAF. Therefore strengthening the AFCOS and its’ partners means at first developing the co-operation establishments and ensuring the effectiveness of the
system devoted to protect the EU financial interests through bracing each link in this chain.

In defining the activities for developing the AFCOS there are several factors to be taken into consideration: the size of the AFCOS, the system created so far and the designated functions of AFCOS; other projects for developing the AFCOS. At the current time (February 2005) the SIGMA is preparing to assist AFCOS Estonia in creating the Strategy for Protection of the EU Financial Interests. This strategic document also includes the role and functions of AFCOS and further developments in this regard.

As a result the main focus of the project is not AFCOS institution building but rather increasing the proficiency of the personnel of the AFCOS and the personnel of the authorities implementing the EU funds. Still the project foresees for the development of AFCOS both institutions building activities and training:

- One of the functions of RTA is to evaluate and assist AFCOS in creating and strengthening some of its functions: help-desk, intelligence (analysis), co-operation arrangements.
- Secondly the AFCOS personnel are going to participate in most of the trainings in this project in order to increase the proficiency level.

Considering the nature of the project, no NGOs were consulted during the project preparation process. The project aims at institution building at the central government level and the NGOs are not seen as directly benefiting or having a role in the project’s activities.

3.2 Linked activities:

Linked activities are:

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<thead>
<tr>
<th>Project number</th>
<th>Name</th>
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<tbody>
<tr>
<td>2003/071-945</td>
<td>Fight against fraud affecting the financial interests of the EU</td>
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<tr>
<td>Project 2003/004-582.02.02</td>
<td>Strengthening Financial Management and Control System Phase II - Twinning</td>
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<tr>
<td>Project 2003/004-582.01.02</td>
<td>Development of Local Governments’ Public Internal Financial Control System – Twinning Light</td>
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<tr>
<td>2002-000-579.08.03</td>
<td>SPP++ completing preparation for the management of EU structural funds - phase II</td>
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<tr>
<td>2003/005-850.01.01</td>
<td>Reducing Corruption in Estonia</td>
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3.2.1 The most important linked activity is the GRANT CONTRACT “Fight against fraud affecting the financial interests of the EU” identification number: 2003/071-945. At the end of 2002 OLAF carried out the needs assessment in all the Accessing States on the requirements for the protection of the Communities’ financial interests. Based on this study the action plan was formed in the format of the Multi-Country Phare programme (MCP) _Fight against fraud affecting the financial interest of the EU (ESTONIA)_ . The project activities started in October 2003. The
MCP was signed in September 2003 and is scheduled to end in October 2005. The estimated budget of the project is 484000EUR.

The MCP project does the vast part of the work in providing the Estonian officials with the practical know-how for fighting the fraud and corruption and carrying out operations in specific areas (customs, police, tax evasions etc.) The law-enforcement organisations will be brought up to the basic level for fighting crimes affecting the EU money. The MCP benefits also greatly to the electronic information exchange systems needed for multilateral information exchange.

Some attention is also paid to the administrative capacity of the AFCOS and the control and management systems for the EU support funds. The MCP contains the following activities:

1. Internships for anti fraud officials to OLAF
2. Several international meetings and seminars for AFCOS representatives and OLAF.
3. Activities connected to the AFIS (Anti-Fraud Information System) – translation of manuals, training of users
4. Training on the OLAF procedures for investigations and analysis of information
5. Training in investigation techniques and procedures
6. Risk analysis training in Agricultural, Structural and Cohesion funds,
7. Intelligence and analysis
8. Training in detection of fraud in specific customs regimes
9. Training in judicial co-operation for magistrates
10. Study visits of AFCOS staff to OLAF
11. Internships by anti-fraud and investigation specialists to MS
12. Training in recovery
13. Training in Economic crime and detection of money laundering
14. Training in basic techniques for tracking consignments
15. Seminar on co-operation of AFCOS in the fight against fraud and corruption
16. Participation in Control Missions on EU funds in MS

There is a need to elaborate in the Transition Facility project some areas that have been included in the MCP. Namely the activities in the above mentioned list no 5, 11, 12 and 16. The following is a short description of the achievements of these activities and reasoning for extending these topics in the Transition Facility project.

- The MCP activities “Training in investigation techniques and procedures” and “Internships by anti-fraud and investigation specialists to MS” have connections to the current project activity no 3.4.2.2 “Forensic accounting during fraud investigations”. The MCP activity focused on the general investigation techniques as the proposed training is aimed to the specific skills of forensic accounting. The second connection is to proposed Activity 3.4.4.1 “Training of trainers” sub activity B “Investigations on fraud with structural funds”. Under the MCP one Security Police official (responsible for investigating corruption) has participated on internship in police body in Germany and gained valuable experiences about investigating frauds with EU funds. Under the Transition Facility project we aim to train one police investigator as a trainer in the area of fraud in connection to EU funds so that this person would train his/her colleagues in the relevant economic crime units within the police structure.
• One of the activities of the MCP is training in recovery of the misused EU funds. At the current moment (February 2005) the MCP activity has not yet taken place so it is not possible to evaluate the achievement. According to the current plans 10 people will participate on this MCP event. However the number of organisations responsible for recoveries in Estonia is more than 10 and there are 40-50 officials responsible for the recovery tasks. Therefore it is crucial to train more people than 10.

Secondly the recovery is a very complex issue and therefore it is beneficial to receive trainings on the Commission views and experiences (the MCP event) and on the “old” member state experiences (training on recovery (act. no 3.4.2.1 module 2) and recovery internship (act no 3.4.4.1 a) proposed in the Transition Facility project).

• The MCP activity “Participation in Control Missions on EU funds in MS” is not carried out yet (February 2005). There could be overlapping with the proposed activity no 3.4.4.1 C (internship in on-the-spot controls). The aim of the proposed activity is to train one expert in the field of on the on-the-spot controls, who would deliver trainings to his/her colleagues.

3.2.2 The Financial Control Department currently runs Phare Twinning project aimed at training the auditing skills of the new internal auditors in government agencies. The project contains several training activities of which most important is the training programme preparing auditors for the Certified Internal Auditor (CIA) exam. The project started in February 2004 and will continue until February 2006. The budget of the project is 570700EUR.

The second Twinning Light project 2003/004-582.01.02 started in 2004 and is aimed at training the internal auditors in Local Governments and developing the Public Internal Control System in the Local Authorities. The project will last from October 2004 until March 2005.

In case of both projects there are no overlapping activities with proposed Transition Facility project, because all the activities of the two Financial Control projects focus on training the basic auditing skills and internal control systems in Local Authorities. There are no activities dedicated to topics covered in this project.

3.2.3 The Ministry of Justice is currently running the Twinning project named “Reducing Corruption in Estonia”. It is aimed at developing the effective anti-corruption measures, from early detection strategies to effective prosecution. All these measures are aimed at strengthening the current anti-corruption systems in public sector. No attention is paid to the anti-corruption measures within the management and control systems designated to safeguard the EU funds.

Therefore there are no overlapping activities.

The proposed activity “Prevention of Corruption” that is proposed under this TF project is clearly focused on the anti-corruption measures of the EU funds management and control systems.
3.3 Results:\(^1\):

Activity 3.4.1.1. RTA has delivered following results:
- Based on the assessment of the AFCOS functions and co-operation arrangements with other relevant institutions RTA presents a list of recommendations for strengthening AFCOS;
- Participation on the on-the-spot missions carried out by September 2006.
- RTA has advised the development of the irregularities follow-up system.

Activity 3.4.2.1. The officials in implementing agencies, implementing authorities, paying authority, managing authority, AFCOS and auditing authority are qualified on the practical level to prevent and detect irregularities:
- Officials in implementing agencies and paying authority (but also in control units) are qualified in determining the eligibility of expenditures;
- Auditors are equipped with know-how for tracking down frauds.
- Officials responsible for maintaining the management and control systems are qualified to upgrade these systems to reduce the possibility for corruption.

Activities 3.4.2.2 – 3.4.2.4
- Investigators are qualified to carry out forensic accounting,
- Customs investigators are qualified to carry out revision of accounts of the economic operators in order to find fraud or irregularities;
- Prosecutors and investigators are aware of specifics of the EU funds that have to be taken into the consideration during investigations related to the misuse of EU funds;
- Custom officers are able to detect frauds during the control of goods on EU borders.

3.4.3 Anti-fraud systems in major implementing authorities are evaluated and report containing the recommendations for further improvements is presented to AFCOS who is responsible for initiating the adequate administrative or legal amendments.

3.4.4.1 3 officials have been trained as trainers on the areas of recovery, eligibility, investigations of fraud with the structural funds, on the spot controls. These trainers are delivering trainings.

3.4.4.2. 2 customs investigators are working as experts in performing the analysis on the authenticity of documents.

\(^1\) The indicators of the results are measurable. See log frame.
3.4 Activities:

Contract 1: Twinning (12 working months over 12 consecutive months, TF 320 000 EUR; Co-financing 19 300 EUR)

3.4.1.1 RTA (Resident Twinning Advisor)
(9 working months, TF 135 000 EUR)

RTA will be in Estonia ¾ of the time to observe and advise the process of the project activities. The presence of RTA will not be needed during three summer months: June-August, 2006.

RTA will fulfil the tasks laid in the Reference Manual on Twinning Projects, and other tasks as maybe agreed from time to time with the project leaders.

Tasks:
- Advising the development of the AFCOS functions and the system for the protection of the Communities’ financial interest based on the “old” members state experiences. The scope includes the establishment of co-operation arrangements both nationally and with the European Commission, anti-fraud and internal control systems in implementing agencies or contracting authorities, national legislation regulating the control over EU assistance, risk assessment on frauds related to the EU funds etc.
- RTA advising and assistance tasks to the AFCOS and other national bodies are to be carried out in maximum through on-the-job training. RTA shall participate in audits or on-the-spot controls conducted by national authorities. An approximate number of audits/on-the-spot controls in 9 projects - 4 CF and 5 SF projects.
- In co-operation with the AFCOS carry out analysis of the irregularity cases so far and draw conclusions and recommendations that would lead to further improvements in the national system.
- Assistance to the AFCOS on the development of the irregularities follow-up system.
- Day-to-day advising on project implementation;
- Guiding the relevant bodies and institutions concerned in proper managing of the EU structural funds and the Cohesion fund through the process of outlining and harmonizing their internal procedures and manuals on irregularities, eligibility, on-the-spot control and recovery.
- Ensuring the comparison of the manuals with relevant EU and Estonian regulations and requirements, segregation of the duties and responsibilities between the management cascade levels;
- Supervising the training activities; organizing the seminars, mentoring sessions and traineeships;
- Working closely with the experts providing training and evaluations under the project;
- Regular meetings with Estonian counterparts to monitor activities and to revise plans as necessary.

Profile:
- Relevant university Degree (preferably at Master level);
- RTA should have at least 5 years working experience with fraud and irregularities investigations of EU-funded projects.
• Extensive knowledge of EU regulations and international practice in the area of protection of the EU financial interests;
• Experience in the area in safeguarding the EU structural or Cohesion funds from fraud and irregularities. Possible work areas may include auditing, investigations, on-the-spot controls, recoveries, establishing the control systems for preventing irregularities.
• Familiarity with anti-fraud and (internal) control systems in Member States;
• Familiarity with the management and control systems for the Structural funds and Cohesion fund in the Member States.
• Excellent knowledge of English;
• Good computer proficiency.

3.4.1.2 The RTA assistant
(12 working months, TF 12 000 EUR)

Tasks:
• Assisting of RTA,
• Arranging of the training events and internships,
• Assistance to the experts,
• Organisation of interpretation.

Profile:
• Good knowledge of English
• Good knowledge of Estonian
• Good communication skills and highly organised
• Good computer proficiency
• Experience in Phare/TF project management would be an advantage.

The cost for 12 working months: 12 000 EUR

3.4.1.3 MS Project leader: 24 working days over 12 consecutive months (12 000 EUR)

Tasks:
• Co-ordination of project activities and back-office support;
• Co-ordination of work of experts (RTA, STE);
• Selection of experts (trainers);
• Reporting;
• Overall co-ordination of project activities;
• Evaluation of the progress of the project;
• Quality control and expertise;

Profile:
• High ranking official
• General project administration and management skills;
• Good knowledge of the protection of the Communities financial interests;
• University degree
• Fluent English
• Good computer proficiency.

3.4.2 Seminars and training events

3.4.2.1 Developing the preventive measures against fraud and irregularities in the management and control systems of the EU funds.

Module 1
Requirements for effective anti-fraud control systems in implementing agencies (TF 21 600 EUR, co-financing 4 800 EUR)

The aim of the training is to explicitly describe the requirements for the internal control systems in EU aid implementing agencies, managing authorities and paying authorities for preventing and detecting irregularities. The seminar must be focused on the control means dedicated to discover irregular support applications and payment requests before these are processed and describe the controls that have to be carried out.

Training must be carried out as three separate seminars – Structural Funds, Cohesion fund and Agricultural support as different kind on irregularities are connected to each fund. For example in SF funds irregularities with organisation of training events, in Cohesion specific controls related to the infrastructure projects, in EAGGF the direct support and fraud schemes involving the support on live animals or agricultural land.

The lecturers are required to have 5 years work experience and knowledge on the areas of anti-fraud and internal control systems to be able to explain the different possibilities of fraud and irregularities and accordingly necessary control measures for preventing these situations from happening. Lectures can be with auditing background or experiences with setting up or testing the control systems etc.

The audience is going to be composed of officials from all the implementing agencies and authorities, who are responsible for controlling the project proposals and relevant documentation for EU support, carrying out audits, carrying out on the spot controls, control of payment requests.

Participants: approximately 150.

Three sub-seminars:
1. SF
2. Cohesion
3. EAGGF

Each of the seminars lasts 2-days; on each seminar 2 lecturers are required.

Seminars will take place in Tallinn, Estonia.
Module 2
Seminar on eligibility and recovery – training including case studies
(TF 7 200 EUR, co-financing 1 700 EUR)

The aim is to train the officials carrying out on the spot controls and controls over payment requests on the eligibility rules and to develop the skills and knowledge of the officials responsible for executing the recovery. The eligibility is one of the most problematic areas for irregularities to take place and therefore officials must be sufficiently trained to evaluate the eligibility of the actions carried out and take firm decisions on the eligibility of the actions, including the decisions to recover the money.

The scope of the training should cover the following:
- explanations on the eligibility rules – what kind of expenditures are eligible;
- practical examples of ineligible expenditures;
- practical examples of cases where it is difficult to assess whether the expenditure is eligible or not;
- in what kind of ineligible/irregularity cases the recovery must be carried out;
- what are the basis for calculating the amount of the sum to be recovered;
- when and how recovery should be carried out;
- co-operation with the European Commission on deciding who should cover the damage caused by irregularity;
- co-operation with the paying authority, OLAF, relevant DG-s and law-enforcement organizations;
- the importance of diligent approach.

Two lecturers are required – with 5 years working experience on the eligibility and recovery on Structural Funds and Cohesion fund.

The participants are on the spot control officers and officials carrying out the checks of invoices and payment requests, also of officials from implementing agencies who possess the rights and means to carry out the recovery. The audience will be composed of relevant officials form implementing agencies and authorities and the paying authority. All together approximately 100 people will participate.

This is going to be a 2-day training in Tallinn, Estonia.

Module 3
Prevention of corruption
(TF 7 200 EUR, co-financing 1 700 EUR)

The aim of the training is to increase the knowledge and skills of relevant officials for preventing, detecting and fighting the corruption within the management and control systems for the EU funds. The scope of the training must cover:
- The possible ways for corruption with EU funds,
- The schemes and practices used take advantage of the loopholes in the control systems,
- How to prevent officials from taking advantage of their office,
- How to fight corruption,
• Co-operation with national law-enforcement organisations, AFCOS and OLAF.

Two lectures (experts) are required with a 5 years working experience in fighting the corruption especially the area of EU aid.

The participants are officials from implementing agencies, but also the implementing authorities, Security Police (responsible for investigating corruption in Estonia) and auditing authorities – the institutions that control the activities of the implementing agencies. The number of participants will be approximately 70.

Training will be a two-day event held in Tallinn, Estonia.

Module 4
Auditing techniques and methodology to discover fraud
(TF 7 200 EUR, co-financing 1 700 EUR)

The aim of the training is to tutor the auditors on specific auditing methodology for tracing frauds and irregularities. The scope of the training includes specifically auditing Structural Funds and Cohesion Fund based on the risk assessment on the areas, where irregularities and fraud can occur, specialised auditing techniques for discovering fraudulent schemes.

Two lecturers are required – auditors or investigators with a 5 years working experience on fraud auditing.

The participants are auditors from implementing agencies and authorities, auditing authority, State Audit Office, approximately 50 officials.

The training will be held as a two-day event in Tallinn, Estonia.

3.4.2.2 Forensic accounting during fraud investigations
(TF 7 200 EUR, co-financing 1 500 EUR)

The aim of the training is to provide the police investigators and auditors with the skills needed for forensic accounting. This proficiency is needed to analyse the bookkeeping records of the economic operators involved in fraud schemes with EU money. The scope of the seminar must include a theoretical part and also practical exercises.

Two lecturers are required with a 5 years working experience in forensic accounting.

The audience is going to be composed of police officials and financial auditors, also the auditors form AFCOS Estonia. Approximately 25 people.

The training will be held as a two-day event in Tallinn, Estonia.
3.4.2.3 Collaboration between investigators and prosecutors during investigations into the EU funds related crimes
(TF 7 200 EUR, co-financing 1 500 EUR)

The aim of the seminar is to explain the best practices for investigators and prosecutors to co-operate during the investigations of cases of fraud and corruption with EU funds. Secondly the specifics of the management systems of EU funds that has to be taken into account during investigations.

The scope of the training should include:
- The best practices for investigators and prosecutors to co-operate;
- The co-operation and information exchange with the national and EU authorities during the investigations;
- The grounds for determining the fraud and corruption in regard to the EU funds;
- The principles and functioning of the EU funds management and control system and how this system can help the investigations.

Two lecturers are required – a prosecutor and an investigator from central-European system where the investigations are leaded by prosecutors. The lectures must have at least 5 years working experience in the field.

The seminar is targeted to the prosecutors and police investigators, approximately 20 officials.

The training will be held as two-day event in Tallinn, Estonia.

3.4.2.4 Customs training – revising the bookkeeping of economic operators and discovering frauds
(TF 11 000 EUR, co-financing 2 400 EUR)

The aim of the training is to further professionalize the knowledge of the customs investigators and officers responsible for controlling the orderliness of the export and import on the EU borders.

The scope of the training should include:
- Dutiable value,
- Control on imposing the customs duties,
- Control of processing the goods,
- Control on the export of agricultural products,
- Examples of frauds in this area,
- Risk assessment methodology in CAP area for intelligence officers.

Three lectures (experts – customs officers) are required with a 5 years work experience in the mentioned areas.

The participants are customs officers, approximately 40 people.
The training will be held as a three-day event in Tallinn, Estonia.
3.4.3 Experts and assessments

Expert evaluation of the anti-fraud control systems in major implementing agencies and authorities

Two experts are needed:
STE 1: Structural and Cohesion Funds
STE 2: EAGGF
(TF 44 000 EUR)

Tasks:
- Expert evaluations on the control systems in implementing agencies responsible for granting EU support and controlling the proper use of the expenditure.
- Analysing the systems and procedures set for controlling the EU support applications, the payment requests, on the spot control procedures and methodology etc.
- The evaluation is to produce a report making recommendations to further improve the control systems.
- Assessment is to be carried out in two categories – implementing agencies for Structural and Cohesion fund and secondly for EAGGF.
- The analysis is carried out in the form of on the spot visits and interviews as well as analysing the relevant documentation, procedures and legal acts.

Profile:
- The expert must have working experience for at least 5 years in the field of protecting the Communities financial interests.
- Extensive knowledge of EU regulations and international practice in the area of protection of the EU financial interests;
- Experience in the area in safeguarding the EU structural or Cohesion funds from fraud and irregularities. Possible work areas may include auditing, investigations, on-the-spot controls, recoveries, establishing the control systems for preventing irregularities.
- Familiarity with anti-fraud and (internal) control systems in Member States (similarity with Estonian control systems will be advantage);
- Familiarity with the management and control systems for the Structural funds and Cohesion fund in Member States.
- Excellent knowledge of English;
- Good computer proficiency.

The experts will be spending in Estonia 40 working days (20 days each).

The cost for experts including travel costs and allowances: 44 000 EUR

3.4.4 Internships

3.4.4.1 Training of 3 trainers
(TF 21 600 EUR, co-financing 2 400 EUR)

The aim of this activity is to educate professionals on the specific areas who are going to train officials working in these areas. Trainers will participate in the
relevant trainings indicated and develop their skills even further on internships in
relevant units in “old” member states. The internee is going to gather experiences
by participating in the daily work of the unit and learning from the experiences
gathered over the years in the hosting authority.

Training of trainers in the areas of:
- a) Eligibility and recovery (structural actions and Cohesion fund)
- b) Investigations on fraud with structural funds,
- c) On the spot controls.

In each area there will be one internee spending 30 days on internship. Contract
will be signed with each participant for carrying out at least 3 trainings during
two years after the internship.

The cost of the activity including the travel costs (co-financing) and per diems to
the participants: 24 000 EUR

3.4.4.2 Customs internship - expertise judgment on documents and handwriting
(TF 14 400 EUR, co-financing 1 600 EUR)

The aim of the training is to further professionalize the knowledge of the two customs
investigators responsible for analysing the documentation and discovering fraudulent
documents.

The scope of the training should include:
- The review of the printing techniques and equipment,
- The types of paper,
- Writing instruments,
- Security elements,
- Investigation methodology and equipment etc.

The training should give thorough knowledge:
- How to recover erased text,
- How to read text pressed into paper,
- Identify the time when the text was written or printed,
- Identify if the document has been forged,
- How to use the mobile document laboratories etc.

The training is to be carried out as an internship in appropriate laboratory with relevant
investigative authority in Europe.

Two Customs investigators will take part in the internship, lasting 30 days.

The cost of the internship for two investigators including the travel costs (co-financing)
and per diems: 16 000 EUR
3.5 Lessons learned

The MCP (Multi-Country Phare Project “Fight against fraud affecting the financial interests of the EU”) project started in September 2003 and the conclusions have not been drawn yet. The feedback from participants on training sessions etc has been positive and there are clear indications that such projects should continue.

The trainings carried out under the MCP project have shown, that feedback is more positive on specific trainings that have been targeted to specialists working in this particular area.

Several MCP trainings have given good and broad overview of the anti-fraud matters and it has been very useful to the newly recruited officials. These trainings have included in one training several subject areas, e.g. winding-up, recovery, procurement, (administrative) investigations, definitions of fraud and irregularity, irregularity reporting etc. As in one hand the new people have been very satisfied as they got a broader view of the topics, the feedback form more experienced officials has not always been so good and has showed, that most of the subjects were already known to them and they would like to have more in depth and more practical approach with longer concentration on particular topics instead of covering these issues shortly and in general principles.

Therefore this project proposal is concentrating on the particular subject matters that are relevant to the officials involved in the prevention and investigation of the irregularities.

The project is more focused on training seminars – this is a good way of sharing the knowledge to a wide audience that needs to be aware. The study-visits are not used, as these would be beneficial to only a limited number of people. Although the some internships are included in the project for training of trainers in order to give them a practical hands on experiences.

The officials in the EU funds implementing agencies are generally aware of the fact that irregularities and fraud may occur and cause damage to the EU and national budget. The SIGMA assessment (Assessment – Anti-Fraud System in Estonia. Assessment carried out on behalf of the European Anti-Fraud Office and issued on the 14th of May 2004) also showed, that general knowledge is there, but there is a lack of specific knowledge on the specialised areas that are relevant for fighting fraud and corruption.

Irregularities that took place with pre-accession funds have been in several cases very complicated and difficult to solve. This has been due to the insufficient specialised know-how and experiences of the officials on the areas of eligibility, recovery, investigations, establishing a fraud etc.

4. Institutional Framework

Estonian membership in the European Union means the need for high administrative capacity in managing the EU funds. In order to ensure, that the EU support is used in the best possible way, the supervision mechanisms need to be adequate in all the institutions involved in the EU aid scheme.
The legal and administrative systems of the implementing agencies and authorities are adequate and effective. The Structural Support Act and the secondary legislation adequately regulate them. The Auditing Authority and/or EU Commission auditors have audited all the bodies involved in the system.

At the lowest level in the EU aid implementation scheme are the implementing agencies, which bear the most substantial part of the responsibility in granting the EU aid and controlling the use of the aid. Implementing Agency must ensure the soundness of its internal control systems to prevent irregularities from happening and detect all the infringements that have taken place. This is the level where the majority of irregularities is detected and have to be solved as well. The primal responsibility of irregularity reporting is also on this level. Implementing agency is also responsible for carrying out the recoveries in case the final recipient has not used the aid granted in accordance with the laws and procedures. Implementing agencies must ensure that the payment requests sent to Paying Authority are controlled and correct and do not include ineligible expenditures. Most of the implementing agencies are government institutions:

- Agricultural Registers and Information Board
- Enterprise Estonia
- Foundation for Life-Long Learning Development INNOVE
- Estonian Labour Market Board
- The State Chancellery
- Estonian Road Administration
- Estonian Maritime Administration
- Estonian Railway Inspectorate
- Estonian Civil Aviation Administration
- Environmental Investment Centre
- The Estonian Informatics Centre
- Ministry of Social Affairs

The next level is implementing authorities (intermediate bodies). These are the relevant ministries that are responsible for controlling the activities of the implementing agencies by engaging the State supervision function:

- Ministry of Education and Research
- Ministry of Economic Affairs and Communications
- Ministry of Social Affairs
- Ministry of Agriculture
- Ministry of the Environment
- Ministry of the Interior
- State Chancellery

The project also involves the Tax and Customs Board that is responsible for inspecting the exported and imported goods on the EU borders and carrying out customs investigations.

The project will be administrated by the AFCOS located in the Financial Control Department of the Ministry of Finance. The Ministry is going to provide the logistical
and communications support by office facilities. The trainings will take place in the training centre of the Ministry of Finance.

The results of the project might possibly have an effect to the current institutional framework by identifying a possible need to reorganise a current co-operation establishments to improve the protection of EU financial interests.

Legal mandate of the AFCOS:
According to the decision of the Government of the Republic the AFCOS Estonia has been established in the Ministry of Finance (MoF) inside Financial Control Department (FCD). The functions of AFCOS are further stipulated in the statute of the MoF and the statute of the FCD. Particular tasks are set by job descriptions of the personnel involved with the AFCOS tasks.

Inside the FCD two chief specialists are involved with day-to-day activities of the AFCOS. In addition to them one training specialist within the FCD is part-time involved with organisation of the AFCOS related trainings.

The functions and responsibilities of AFCOS also result from the Co-operation Arrangement signed between OLAF and AFCOS Estonia on the 2nd of October 2003.

In March 2004 the Minister of Finance passed the secondary legislation of the Structural Support Act called Recovery and Restitution Rules for Structural Support. It contains an obligation to notify to AFCOS all found or suspected irregularities within two weeks from discovery.

The main tasks of AFCOS:

1. Central contact point for OLAF
2. Establishing of the co-operation and information exchange arrangements
3. Information exchange between OLAF and Estonian institutions
4. Assisting OLAF officers missions to Estonia
5. Identification of possible weaknesses in national system
6. Development of the National Anti-Fraud Strategy
7. Initiation of necessary legislative or administrative adaptations
8. Defining the training needs of the institutions involved in the protection of the Communities’ financial interests
9. In collaboration with OLAF development of training programmes
10. Organisational support for training programmes and other projects
11. Provision of assistance and advice to other institutions, including ensuring the awareness in different bodies of the tasks and responsibilities they have regarding the protection of the Communities’ financial interests
12. Reporting of irregularities to the Commission

The term “protection of the EU financial interests” consists in itself a wide range of topics and therefore demands many-sided specialities from AFCOS. To ensure that the AFCOS could effectively deal with all types of irregularities the Committee for the Protection of EU Financial Interests (AFCOS Steering Committee) has been established with the decree of the Minister of Finance.

It includes representatives from:

- Ministry of Finance
- Tax- and Customs Board
- State prosecutors’ Office
- Central Criminal Police
- Security Police
- State Audit Office

The tasks of the AFCOS Steering Committee are:

- Ensure the information exchange and co-operation on the national level and with OLAF regarding the protection of the Communities’ financial interests.
- Analyse cases where EU financial interests are affected and decide investigative measures.
- Make specific proposals to the Ministry of Finance to strengthen the protection of the Communities’ financial interests.
- AFCOS keeps investigative authorities informed on the latest developments coming from OLAF.
5. Detailed Budget

<table>
<thead>
<tr>
<th>€</th>
<th>Transition Facility support</th>
<th>Co-financing</th>
<th>Total Cost (TF plus co-financing)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>Total Transition Facility (=I+IB)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 1: Twinning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTA</td>
<td>135 000</td>
<td>135 000</td>
<td>135 000</td>
</tr>
<tr>
<td>RTA assistant</td>
<td>12 000</td>
<td>12 000</td>
<td>12 000</td>
</tr>
<tr>
<td>MS project leader</td>
<td>12 000</td>
<td>12 000</td>
<td>12 000</td>
</tr>
<tr>
<td>STE – Assessment on anti-fraud systems</td>
<td>44 000</td>
<td>44 000</td>
<td>44 000</td>
</tr>
<tr>
<td>Lecturers (experts)</td>
<td>59 100</td>
<td>59 100</td>
<td>59 100</td>
</tr>
<tr>
<td>Interpreters</td>
<td>9 500</td>
<td>9 500</td>
<td>9 500</td>
</tr>
<tr>
<td>Rent of rooms</td>
<td></td>
<td>6 600</td>
<td>6 600</td>
</tr>
<tr>
<td>Rent of interpretation equipment</td>
<td></td>
<td>6 700</td>
<td>6 700</td>
</tr>
<tr>
<td>Training materials</td>
<td></td>
<td>2 000</td>
<td>2 000</td>
</tr>
<tr>
<td>Internships</td>
<td>36 000</td>
<td>36 000</td>
<td>4 000</td>
</tr>
<tr>
<td>Final audit</td>
<td>5 900</td>
<td>5 900</td>
<td></td>
</tr>
<tr>
<td>Reserve max 2%</td>
<td>6 500</td>
<td>6 500</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>320 000</td>
<td>320 000</td>
<td>19 300</td>
</tr>
</tbody>
</table>

*Co-financing from the budget of the Ministry of Finance.

The Ministry of Finance contracts the interpreters.

The amounts for co-financing indicated in the table correspond to parallel cash co-financing. In addition, in-kind contributions from the Estonian administration for effective implementation of the twinning may be further detailed in the twinning contract.

The beneficiary and the National Authorising Officer (NAO) will monitor the co-financing expenses. For the earmarked co-finance, a clear and verifiable set of costs will be provided (ex-ante confirmation by the MoF of exact budget lines and re-confirmation before each contract) and ex-post each project and at an aggregate level for each budget line. Flow and stock data on co-finance will be submitted quarterly for steering committees and to the CFCD and twice a year to the Sector Monitoring Sub-Committee.

The beneficiary, together with the NAO commits to sound financial management and financial control.

Co-financing for the project will include the necessary costs associated with office facilities for the twinning experts and training seminars and courses (inc. technical equipment), where only the cash co-financing is included, as Ministry of Finance pay rent for office facilities and room of seminars to the Riigikinnisvara Ltd.
<table>
<thead>
<tr>
<th>National co-financing</th>
<th>2005</th>
<th>2006</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State budget</td>
<td>8 100</td>
<td>11 200</td>
<td>19 300</td>
</tr>
</tbody>
</table>

RTA and RTA assistant office and communication costs, the flight and insurance costs for the traineeships are also included to the co-financing.

### 6. Implementation Arrangements

The project will be carried out under the authority of the Ministry of Finance in the Financial Control Department. The AFCOS within the Financial Control Department involves to the implementation of the project four officials:

- Two chief specialists dealing with the AFCOS tasks,
- One training specialist,
- Head of the Financial Control Department.

The CFCD is the Implementing Agency responsible for tendering, contracting and payments. Responsibility for technical preparation and control will remain with the beneficiary: Financial Control Department, Ministry of Finance

#### 6.1 Implementing Agency

**The Programming Authorising Officer/PAO:**
Mr. Renaldo Mändmets, Deputy Secretary-General, Ministry of Finance
Suur-Ameerika 1, Tallinn
Phone: +372 611 3545
Fax: +372 696 6810
E-mail: renaldo.mandmets@fin.ee

**The Program Officer/PO:**
Ms. Riina Virkus
Acting head of the Finance and Administration Department
Ministry of Finance
Suur-Ameerika 1, Tallinn
Ph + 372 611 3210
Fax: +372 696 6810
E-mail: riina.virkus@fin.ee

**Estonian Project Leader:**
Mr. Andres Karotamm
Head of Financial Control Department
6.2 Twinning
The twinning will be implemented under the Financial Control Department of the Ministry of Finance. Contact person is Mr. Kaur Siruli.

The National Contact Point (NCP) for twinning is:

Nelli Timm
CFCD
Ministry of Finance
Suur-Ameerika 1,
Tallinn 15006
Phone: +372 611 3038
Fax: +372 6 966 810
E-mail: nelli.timm@fin.ee

The direct beneficiary of the twinning project is Ministry of Finance.

6.3 Non-standard aspects
No non-standard aspects foreseen

6.4 Contracts

Contract 1: Twinning (TF 320 000 EUR; Co-financing 19 300 EUR)
7. Implementation Schedule

7.1 Start of tendering/call for proposals
   August 2005

7.2 Start of project activity
   November 2005

7.3 Project Completion
   October 2006

8. Sustainability

The Government of Estonia is going to sustain the system for the protection of the EU financial interests and measures preventing irregularities and frauds. There is a clear need to have the best possible system in order to reduce the impact to the state budget – EU aid used in irregular way must be returned to the Commission from the State Budget. In this regard the Ministry of Finance is particularly interested in assisting the implementing agencies and authorities to improve their systems for preventing irregularities.

Sustainability in the case of the particular project is maintained by the AFCOS within the Financial Control Department. Together with the Auditing Authority AFCOS is going to analyse and audit the internal control systems of the implementing agencies in order to verify the level of effectiveness and the implementation of all the requirements and know-how obtained from this project.

9. Conditionality and sequencing

Conditionalities:

- Anti-fraud strategy developed in co-operation with SIGMA is ready and can be taken into account in drafting the Twinning covenant.
- The trainers to be trained are selected in late autumn 2005 before the trainings start so that these persons can attend all relevant training activities and also internships.

The sequencing of the project activities is planned in the following order:

- RTA and the RTA assistant are going to start the work.
- Training seminars
- Internships take place after the relevant seminars
- Expert assessment
Annexes to project Fiche

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
### TF log frame

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project: Strengthening of AFCOS and its partners by reinforcing the prevention measures against fraud and corruption.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme name and number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires 15.12.2007</td>
</tr>
<tr>
<td>Disbursement period expires 15.12.2008</td>
</tr>
<tr>
<td>Total budget: 339 300 EUR</td>
</tr>
<tr>
<td>TF budget: 320 000 EUR</td>
</tr>
</tbody>
</table>

#### Overall objective

The sound financial management of the EU support funds and vigorous system for the protection of EU and Estonian financial interests.

#### Objectively verifiable indicators

- Estonian implementing agencies and authorities have efficient system for preventing and detecting irregularities, fraud and other illegal activities by October 2006.
- Number of irregularities found and reported to OLAF
- Number of prevented irregularities (irregularities discovered before the payment has been made)
- Amount of recovery paid to the Community
- Amendments made in legal acts and control systems made following to the analysis of damage caused by irregularities
- Percentage of recovered irregular expenditures from the irregular amounts that had to be recovered.

#### Sources of Verification

- Ministry of Finance, FCD, audit reports, Irregularity reports to OLAF, number and total sum form of the Commission Debit Notes
<table>
<thead>
<tr>
<th><strong>Project purpose</strong></th>
<th><strong>Objectively verifiable indicators</strong></th>
<th><strong>Sources of Verification</strong></th>
<th><strong>Assumptions</strong></th>
</tr>
</thead>
</table>
| Reinforcing the specialised practical detection and prevention measures against irregularities and fraud within the national administration. | • All the activities of the project are carried out.  
• 450 qualified (adequately trained) officials in implementing agencies and authorities, managing authority, paying authority, auditing authority, Customs, police by October 2006.  
• Adoptions made in the management and control systems of the implementing authorities based on the assessment report produced within this project.  
• Number of trainings and seminars delivered by trained trainers | • Training programs  
• Monitoring reports  
• Final report of the project  
• Opinion of independent auditor  
• Protocols of the AFCOS Steering committee meetings | • Implementing agencies are motivated to improve their anti-fraud systems.  
• The government of the Republic is willing to update the national anti-fraud strategy  
• Trained trainers are motivated to give courses to their colleagues. |

<table>
<thead>
<tr>
<th><strong>Results</strong></th>
<th><strong>Objectively verifiable indicators</strong></th>
<th><strong>Sources of Verification</strong></th>
<th><strong>Assumptions</strong></th>
</tr>
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</table>
1. Activity 3.4.1.1 RTA has delivered following results:

- Based on the assessment of the AFCOS functions and co-operation arrangements with other relevant institutions RTA presents a list of recommendations for strengthening AFCOS;
- Participation on the on-the-spot missions carried out by September 2006.
- RTA has advised the development of the irregularities follow-up system.

2. Activity 3.4.2.1

The officials in implementing agencies, implementing authorities, paying authority, managing authority, AFCOS and auditing authority are qualified on the practical level to prevent and detect irregularities:

- Officials in implementing agencies and paying authority (but also in control units) are qualified in determining the eligibility of expenditures;
- Auditors are equipped with know-how for tracking down frauds.
- Officials responsible for maintaining the management and control systems are qualified to upgrade these systems to reduce the possibility for corruption.

1. Assessment with proposals presented to AFCOS by April 2006.
- 9 on-the-spot control teams have had a benefit of the RTA sharing practical advice during the control missions.

2. The number of prevented irregularities has increased 20%;
- The number of detected irregularities has increased 30%.
- 70 officials trained and profound in their specific area by October 2006.
- The number of irregularities reported to OLAF.

- RTA, MoF
- Feedback and registry sheets from trainings
- The summary of the assessment report on the anti-fraud systems
- The feedback and registry sheets of the first trainings given by the 3 trainers.
- Steering Committee monitoring reports

- Leadership willingness to strengthen the national system for the protection of the Communities financial interests.
- All the officials trained are respectively working on their specialised area.
3. Activities 3.4.2.2 – 3.4.2.4
- Investigators are qualified to carry out forensic accounting.
- Customs investigators are qualified to carry out revision of accounts of the economic operators in order to find fraud or irregularities;
- Prosecutors and investigators are aware of specifics of the EU funds that have to be taken into the consideration during investigations related to the misuse of EU funds;
- Custom officers able to detect frauds during the control of the goods on EU borders.

4. Activity 3.4.3 Anti-fraud systems in major implementing authorities are evaluated and report containing the recommendations for further improvements presented to AFCOS who is responsible for initiating the adequate administrative or legal amendments.

5. 3 officials have been trained as trainers on the areas of recovery, eligibility, investigations of fraud with the structural funds, on the spot controls. These trainers are delivering trainings.

6. 2 customs investigators are working as experts in performing the analysis on the authenticity of documents.

3.  
- By August 2006 85 law-enforcement officials are trained in investigating the EU budget related crimes.
- During the year following the project completion the number of crimes under investigation related to EU funds has increased 20%.

4. The report on the anti-fraud systems in implementing agencies is being used by the AFCOS, implementing agencies and managing authority to adapt necessary administrative or legal adaptations (October 2006).

5. 3 officials are trained as trainers and working on their area and delivering trainings. Contracts signed by October 2006.

6. 2 customs officials are analysing documents by August 2006.
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities:</td>
<td></td>
<td>• Leadership willingness to strengthen the national system for the protection of the Communities financial interests.</td>
</tr>
<tr>
<td>1. Co-ordination of project activities and</td>
<td>MS Project leader 24 working days over 12</td>
<td></td>
</tr>
<tr>
<td>back-office support;</td>
<td>consecutive months</td>
<td></td>
</tr>
<tr>
<td>2. Co-ordination of work of experts (RTA,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STE, lecturers);</td>
<td>Resident Twinning Advisor (RTA) – 9</td>
<td></td>
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<tr>
<td>3. Reporting;</td>
<td></td>
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<tr>
<td>4. Evaluation of the progress of the project;</td>
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<tr>
<td>5. Quality control and expertise</td>
<td></td>
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<tr>
<td>Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Advising the development of the AFCOS</td>
<td></td>
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<tr>
<td>functions and the system for the protection of</td>
<td></td>
<td></td>
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<tr>
<td>the Communities’ financial interest based on</td>
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<tr>
<td>the “old” members state experiences. The scope</td>
<td></td>
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<tr>
<td>includes the establishment of co-operation</td>
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<tr>
<td>arrangements both nationally and with the</td>
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<tr>
<td>European Commission, anti-fraud and</td>
<td></td>
<td></td>
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<tr>
<td>internal control systems in implementing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>agencies or contracting authorities, national</td>
<td></td>
<td></td>
</tr>
<tr>
<td>legislation regulating the control over EU</td>
<td></td>
<td></td>
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<tr>
<td>assistance, risk assessment on frauds related</td>
<td></td>
<td></td>
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<tr>
<td>to the EU funds etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. RTA advising and assistance tasks to the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFCOS and other national bodies are to be</td>
<td></td>
<td></td>
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<tr>
<td>carried out in maximum through on-the-job</td>
<td></td>
<td></td>
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<tr>
<td>training. RTA shall participate in audits or</td>
<td></td>
<td></td>
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<tr>
<td>on-the-spot controls conducted by national</td>
<td></td>
<td></td>
</tr>
<tr>
<td>authorities. An approximate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. In co-operation with the AFCOS carry out analysis of the irregularity cases so far and draw conclusions and recommendations that would lead to further improvements in the national system.

4. Assistance to the AFCOS on the development of the irregularities follow-up system.

5. Day-to-day advising on project implementation;

6. Guiding the relevant and bodies institutions concerned in proper managing of the EU structural funds and the Cohesion fund through the process of outlining and harmonizing their internal procedures and manuals on irregularities, eligibility, on-the-spot control and recovery.

7. Ensuring the comparison of the manuals with relevant EU and Estonian regulations and requirements, segregation of the duties and responsibilities between the management cascade levels;

8. Supervising the training activities; organizing the seminars, mentoring sessions and traineeships;

9. Working closely with the experts providing training and evaluations under the project;
<table>
<thead>
<tr>
<th>Activities:</th>
<th>RTA assistant, 12 working months.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Various lecturers (experts) for the training activities.</td>
</tr>
<tr>
<td></td>
<td>RTA and MS project leader organise the internships.</td>
</tr>
<tr>
<td></td>
<td>STE 1 and STE 2 20 working days each expert.</td>
</tr>
<tr>
<td></td>
<td>Activities:</td>
</tr>
</tbody>
</table>
1. Expert evaluations on the control systems in implementing agencies responsible for granting EU support and controlling the proper use of the expenditure.
2. Analysing the systems and procedures set for controlling the EU support applications, the payment requests, on the spot control procedures and methodology etc.
3. The assessment is to produce a report making recommendations to further improve the control systems.
4. Assessment is to be carried out in two categories – implementing agencies for Structural and Cohesion fund and secondly for EAGGF.
5. The analysis is carried out in the form of on the spot visits and interviews as well as analysing the relevant documentation, procedures and legal acts.

<table>
<thead>
<tr>
<th>1.</th>
<th>2.</th>
<th>3.</th>
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<tbody>
<tr>
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ANNEX 2
Detailed Implementation Chart
Project No:

Project Title: Strengthening of AFCOS and its partners by reinforcing the prevention measures against fraud and corruption.

<table>
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<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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**Cumulative Contracting Schedule**

**Project No:**

**Project Title:** Strengthening of AFCOS and its partners by reinforcing the prevention measures against fraud and corruption.

<table>
<thead>
<tr>
<th>Contract 1: Twinning in Financial Control</th>
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<th>2006</th>
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<td>01.07</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td>320,000</td>
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<td><strong>TOTAL</strong></td>
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</table>
Cumulative Disbursement Schedule

Project No:

Project Title: Strengthening of AFCOS and its partners by reinforcing the prevention measures against fraud and corruption.

<table>
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<th>2006</th>
</tr>
</thead>
<tbody>
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<td>01.07</td>
</tr>
<tr>
<td></td>
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<td>255 000</td>
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<tr>
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