01.03 Paying Authority and Certifying Body

1. Basic Information
1.1. CRIS number: 2002/000-605-01.03
twinning number: PL02-FI-05
1.2. Title: Paying Authority and Certifying Body
1.3. Sector: Finance
1.4. Location: Poland

2. Objectives:
2.1 Overall objective
Creation and strengthening of the institutional basis and operational capacity in Poland for application of
the rules included in Community Regulations regarding the tasks of future Paying Authority and
Certifying Body.
2.2 Immediate objectives
- increasing the capacity of the future Paying Authority (Ministry of Finance) for all Structural Funds
  as well as for Cohesion Fund to fulfill obligations deriving from the relevant UE regulations
  (described in Council Regulation 1260/99; Council Regulation 1164/94; Commission Regulation
  438/01; Commission Regulation 448/01 and others),
- ensuring the adequate preparation of the staff of the Paying Authority and other users at national
  and regional level to proper use of the Polish IT systems for monitoring and financial control of the
  Structural Funds and Cohesion Fund,
- ensuring the knowledge of the staff of the Paying Authority to use of the Member State's IT
  systems for monitoring and financial control of the Structural Funds and Cohesion Fund,
- enhance the administrative capacities for users at national and regional level in the field of financial
  management, monitoring and financial control in terms of responsibilities of the authorities or
  bodies involved in the preparation and implementation of Structural Funds and the Cohesion Fund,
- strengthen the financial and budgetary management concerning: co-financing and financial
  management of Structural and Cohesion Funds assistance,
- ensuring the capacity of the Certifying Body to perform its duties of closure of assistance after
  accession of Poland to the European Union,
- strengthen the physical capacity and reach of payment and monitoring systems for Structural
  Funds and Cohesion Funds.

2.3 Accession Partnership and NPAA priorities
a) The Accession Partnership within the field of financial control indicates as priority and intermediate
  objective: “Continue efforts to ensure the correct use, control, monitoring and evaluation of EC pre-
  accession funding as a key indicator of Poland's ability to implement the financial control acquis”.
b) The NPAA as a final objective within the priority 28. Financial Control: 28.1 Adjustment of rules of
   internal-administrative financial control to the EU requirements described as follows:
   - Creation of the institutions of EU disposal the sections of economic analyse of planned
     undertakings and ex-ante controls of exemptions (transfer to intermediaries and
     beneficiaries) from the funds by PAO; ideal solutions would be placing the section in the
     administrative-budgetary structure of certain institution with possibility of direct reporting to
     NAO,
   - Creation in the organisational units of treasury control the level responsible for the control
     and certification of EU funds,
   - Assurance of procedural and merits compatibility of certain financial controls (ex-ante and ex
     post) with the standards adopted in the EU members states: the necessity of working out the
     instructions of control, in particular for EU funds,
   - Creation of information system listing the programs and projects financed from EU funds,
     their financial status, progress and implementation of assumed objectives.

2.4 Contribution to the National Development Plan
Further development of programming and implementation capacities of the public administration which
will be involved in the implementation of the Community Support Framework, will contribute directly to
the effective implementation of the National Development Plan.

2.5 Cross Border Impact: N/A

3. Description
3.1 Background and justification
In the first years after Polish accession to the European Union the function of Paying Authority for all Structural Funds and Cohesion Fund should be fulfilled by the Ministry of Finance. Such a solution will ensure integration, increased control and enable the creation of a uniform, effective system for the realisation of structural instruments in Poland, inter alia the subsystem of monitoring and evaluation of individual funds and makes up a continuation of the practice so far.
At the level of the Ministry of Finance, it is planned that 4 sub-accounts will be opened for the EU Structural Funds for individual Structural Funds (ERDF, ESF, EAGGF, FIFG) and 2 sub-accounts for the Cohesion Fund.
Detailed decisions on cash flows (each fund) and co-financing on national level will be made during works on the NDP.
Financial posts will be created in the ministries responsible for the execution of the sectoral operational programmes for servicing payments from the structural funds, probably within the framework of the existing budgeting and financial structures.
An estimation of the needs and the assurance of co-financing of the programmes lies within the authority of the minister responsible for the management of particular programme.
The co-ordination of programming and utilisation of the Cohesion Fund in Poland will be performed by the Ministry of Economy. The Ministry of Economy will present the application forms to the European Commission. The Ministry of Infrastructure (transportation) and the Ministry of Environment (environment) will be responsible for the utilisation of the Cohesion Fund. It is planned that the structure of the financial flow will be similar to the one in ISPA fund. The certification of the expenditures will be performed by the Ministry of Finance based on the invoices verified by specific ministries. Additionally the application for the final payment will be preceded by the final inspection performed by the Treasury Control Department.
The administrative structure presented below is a proposal and shall be a subject to agreement on its structure in the context of accession negotiation and in the context of negotiations on programming documents. This scheme may change therefore but the functions will not change significantly.

Ministry of Finance will certificate to the Commission payment applications on the basis of system of control and audit (functioning on each level of Structural Funds and Cohesion Fund financial management). Certification will take place after ensuring by Managing Authorities the expenditure eligibility and correctness of documentation. The control and monitoring unit (for each Structural Fund and Cohesion Fund) is planned to be established in ministries where relevant units will be responsible for monitoring and financial control of all expenditures effected from each fund.
The Paying Authority will:
- send to the EC schedule of payments for the current year and for the following year,
- manage of the accounts opened for financial resources from Structural Funds and Cohesion Fund from EU budget,
- apply to the EC with requests for funds,
- certificate for the EC requests for intermediate payments on the basis of declaration of expenditure authorised by the Managing Authority,
- co-operate with the Certifying Body, which will certify expenditures before applying by the Paying Authority with request for final payments (such institution will be established within the Treasury Control Services in the Ministry of Finance),
- transfer of the received financial resources to beneficiaries in shortest possible time,
- send to the EC reports on irregularities prepared by the Managing Authorities,
- recover sums due to the Funds and for application of financial corrections where they arise as a result of discovery of administrative errors, or from events arising from the management of programmes or from the establishment of irregularities.

The Paying Authority should be provided with a full set of financial information collected from beneficiaries and confirmed by the Managing Authorities for particular operational programmes as well as chosen data related to physical progress and effects of implemented programmes, including statistical data.
At present works are underway on defining detailed structure of the Paying Authority within the Ministry of Finance. It is intended that all target units will have to be established during 2003 so that they are capable of performing assigned tasks before the beginning of 2004. Staff recruiting and training will begin earlier. The tranche of key staff will be in place by early 2003 and there will be a progressive build up of staff in readiness for accession.

Currently the Department for Foreign Assistance Funds, which will develop into the Paying Authority in the Ministry of Finance, consists of 39 workers. In order to implement and co-ordinate all project activities dealing with Structural Funds and Cohesion Fund, it has been already planned to increase this number in the Paying Authority up to 119 by 01.01.2004.

Expansion of the Paying Authority work load as well as widening tasks require improving operational efficiency by easy access to monitoring systems and administration and communication nationally and internationally and other facilities. Data collecting and storage by the Paying Authority require additional equipment at beneficiary and officering national levels ensuring increased efficiency, security and protection.

An organisational model of Certifying Body has been prepared by the Unit for Control of Pre-accession Funds in Department of Treasury Control within Ministry of Finance. Certifying Body will perform its duties separately from the other control tasks. Therefore it has already started the process of separation of this Unit from the responsibility of Department of Treasury Control.

The Certifying Body will employ 27 persons. Currently Unit for Control of Pre-accession Funds is composed of 5 persons including head of this Unit. Till the end of 2002 the start of recruitment process of fifteen persons is foreseen. Till the end of the second quarter of 2003, next seven employees should be recruited.

At present Unit for Control of Pre-accession Funds is working on the elaboration of the working procedures for carry out the future auditing function.

In the context of Structural Funds Commission Regulation No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds states that the Certifying Body will issue declarations on winding-up of the assistance. It shall conduct its examination according to internationally accepted standards. Information shall be supplied by the managing and paying authorities and intermediate bodies with all information required and be given access to the records and supporting evidence necessary for drawing up the declaration.

In the context of Cohesion Fund Council Regulation No 1264/1999 of 21 June 1999 amending Regulation No 1164/94 establishing a Cohesion Fund states that the Certifying Body will present to the Commission, when each project, step of project or group of projects is wound up, a declaration drawn up. This declaration shall summarise the conclusions of the checks carried out during previous years and shall assess the validity of the application for payment of the final balance and the legality and regularity of the expenditure covered by the final certificate.

In the context of Common Agriculture Policy Commission Regulation No 1663/95 of 7 July 1995 laying down detailed rules for the application of Council Regulation No 729/70 regarding the procedure for the clearance of the accounts of the EAGGF guarantee section states that the Certifying Body will ensure the delivery of a certificate on the annual accounts of the expenditure charged to the Guarantee Section of the Fund.

Declaration shall be based on an examination of the management and control systems, of the findings of checks already carried out and, when necessary, of a further sample check of transactions. The Certifying Body issuing the declaration shall make all necessary enquiries to obtain reasonable assurance that the certified statement of expenditure is correct and that the underlying transactions are legal and regular. Declarations shall be accompanied by a report which shall include all relevant information to justify the declaration, including a summary of the findings of all checks carried out.

Currently future Certifying Body does not possess the equipment. That results from the fact that while moving from the Unit for Control of Pre-accession Funds to Certifying Body the computer equipment will be left in Department. Therefore Certifying Body will have no work computer tools.

Moreover from the beginning of 2003 the staff will perform the audit of SAPARD and ISPA Funds.

Furthermore scope of tasks of Certifying Body staff and duties performed by them require their mobility. Day-to-day work will cover frequent visits and controls on the spot as well as delegations of similar necessity to the regional offices. The specificity of duties covering controls on the spot will require open access both to the information installed on the hard disk as to the internet, use of e-mail.
Notebooks will provide the staff with easy accesses to this information, independent from local IT equipment and personnel. Appropriate software will also be necessary as a tool of computer support of audit conducted on the spot by the staff of the Paying Authority and Certifying Body.

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<th>EU legislation</th>
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<tr>
<td>CAP</td>
<td>Commission Regulation No 1663/95 of 7 July 1995 laying down detailed rules for the application of Council Regulation No 729/70 regarding the procedure for the clearance of the accounts of the EAGGF Guarantee Section</td>
<td>Delivery of a certificate on the annual accounts of the expenditure charged to the Guarantee Section of the Fund</td>
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<tr>
<td>Structural Funds</td>
<td>Commission Regulation No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds, Article 15 and Article 16 under Article 38 (1)(f) of Regulation 1260/1999</td>
<td>Issue of declarations on winding-up of the assistance.</td>
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<tr>
<td>Cohesion Fund</td>
<td>Council Regulation No 1264/1999 of 21 June 1999 amending Regulation No 1164/94 establishing a Cohesion Fund, Article 6, Conditional assistance, point (f)</td>
<td>Presentation to the Commission, when each project, step of project or group of projects is wound up, a declaration drawn up by a person or department having a function independent of the designated authority. This declaration shall summarise the conclusions of the checks carried out during previous years and shall assess the validity of the application for payment of the final balance and the legality and regularity of the expenditure covered by the final certificate.</td>
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Staffing is a responsibility of the Director General of Ministry of Finance that means that he will also be accountable in case of employment of persons to the Paying Authority and the Certifying Body. From practical view the number considered is around 27 for the Certifying Body and around 80 persons for the Paying Authority.

Best Practice exchanges have a high priority for the beneficiary. Due to the increasing role of the Paying Authority there will be new staff hired, as well as for the Certifying Body. It is important to have a possibility of seeing the performance of other public administrations both in theory and practice by internships and study visits. The beneficiary would like to gain much experience from other EU-member states in order to provide advanced knowledge in the legal and institutional aspects related to the monitoring and financial control of the Structural Funds and Cohesion Fund.

3.2 Linked activities
The project is complementary and strictly related to the institution building actions from the area of financial control. The activities foreseen in this project are not repetitive regarding previous and current Phare funded projects, arise to some extent from the results of these projects and are complementary to already undertaken Phare programmes and other activities:
• PL0003.04 “Internal financial control at regional level”: setting up an efficient system for management, monitoring and control of EU structural funds including the computerised exchange of data between the Commission and the Member State. The follow-up of this project will be a part of contract 1 component 1 of the current project, which will be implemented by the Ministry of Finance – Foreign Assistance Funds Department. It aims at improving the capacities of Paying Authority. Short-term and mid-term experts’ assistance will facilitate these tasks. In the framework of the PL0003.04 there is contract 2 - technical assistance of which wider objective is to establish administrative capabilities in the regions for adequate management and financial control over EU funds. As a result of this project treasury control and regional audit chambers staff will be trained in the area of control of EU funds, familiar with procedures and guidelines of ex-post control as well as with professional terminology in the area of “financial control”, use of methods and techniques of audit in practice, budget accountancy.

• wide-ranging actions aimed at preparation of Polish administration to the future participation in EU structural programmes have been realised under Phare’98 Special Preparatory Programme for Structural Funds.

• the sub-project referring to the development towards structural funds programming (Phare ’97, sub-project 3.3.) comprised 3 components aiming at the creation of database on foreign assistance funds, technical assistance for the institutions involved in the implementation of EU assistance and training for the relevant central institutions in the field of implementation of EU programmes and using EU funds with regard to monitoring and financial management.

• the World Bank Grant for Support of a Monitoring and Evaluation System of the Use of the European Union (EU) and Other Foreign Funds. The purpose of the Grant is to support the strengthening of the monitoring and evaluation of the use of EU and other foreign funds spent in Poland (at central and local levels). In late February, Council of Ministers approved the report “Monitoring and Evaluation System for Structural Funds and Cohesion Fund” financed from the World Bank Grant. The report presented the recommendations concerning the division of duties amongst involved ministries and setting up the deadlines for activities aiming at preparing the monitoring system to fulfil the Commission’s “Roadmap to the Structural Funds”. Its advises were taken into consideration while projects under Phare 2002 were drafted. Regional structures received support under Phare programmes in above mentioned projects in 1998, 1999 and 2000.

3.3 Results
Reinforcing capacity of the Ministry of Finance to carrying out the tasks of future Paying Authority and the Certifying Body:

Contract 1 - twinning
Component 1 – Paying Authority
• staff of the Paying Authority well prepared and effective in management of the accounts opened for financial resources from Structural Funds and Cohesion Fund,
• staff of the Paying Authority fully operational in checking declarations of expenditures from Structural Funds and Cohesion Fund submitted by the Managing Authorities,
• projects monitoring within the Paying Authority fully developed,
• staff of the Paying Authority fully prepared for certification of expenditure to the European Commission,
• staff of the Paying Authority fully prepared for submitting payment applications to the Commission,
• correct preparation and verification of irregularity reports elaborated by the Managing Authorities and the Certifying Body for the European Commission,
• transfer of EU funds by the Paying Authority to Final Beneficiaries or Intermediate Bodies (implemented in accordance with the instructions prepared by the Managing Authorities) tested and assured,
• collecting statistical and financial data by the Paying Authority for the effective financial management of the operational programmes and projects as well as overall management of the CSF initiated,
• ensuring the adequate preparation of the staff of the Paying Authority to proper use of the IT system for monitoring and financial control of the Structural Funds and Cohesion Fund in Poland,
• financial and management units and other users at regional and national level prepared to use Polish IT system,
evaluation and verification of the “Internal Procedures” for the Paying Authority based on the report prepared in the framework of the World Bank Grant for Support of a Monitoring and Evaluation System of the Use of European Union (EU) and Other Foreign Funds; this evaluation report should include following topics: internal financial control for financial flows, exchange rate, irregularities, accounting system and audit trail.

• Guidelines for monitoring and control units prepared,
• preparing the staff of the Ministry of Finance to carrying out the tasks of future Paying Authority (qualified and competent staff, familiar with the tasks of Paying Authority, internal procedures for National Fund, rules concerning recovery and return of funds, problems with differences of exchange rate) and partners at national and regional level to undertake these duties towards the paying authority.

Component 2 – Certifying Body
• adequately prepared staff of the Certifying Body ensured to issue declarations on winding up of the assistance within Structural Funds and Cohesion Fund after accession of Poland to European Union,
• adequately prepared staff of the Certifying Body ensured to deliver a certificate within EAGGF Guarantee Section,
• reinforced capacity of the Certifying Body by means of its trained and educated staff in the different scope of activities and procedures regarding certification and compliance with community policies, verifications of paid and eligible expenditure, preventing, detecting and correcting irregularities and systems and ex-post controls;
• acquired with practical skills the staff of the Certifying Body;
• improved qualifications of the staff inter alias by conducting of an audit on the spot,
• elaborated procedures on external audit and ex-post control,
• elaborated manual on external audit,
• prepared working materials concerning plans of controls, conducting of controls and reporting,
• created technical library covering the books and materials from the areas including , audit and accounting, Common Agriculture Policy, Structural Policy and Cohesion Policy.

Contract 2 - investment
• The financial management monitoring systems physical capacity is strengthened and extended and relevant supporting equipment accessories are in place to support the implementation of programmes.
This will be achieved by the provision of a resource pool of equipment focussed primarily on the supporting and developing the capacities and compliance of final beneficiaries and supervision services. The equipment will include computers and related equipment for management, monitoring, communication and training. Rules for providing equipment to be bought under component 1 contract 2 to other bodies and final beneficiaries will be agreed with The EC Delegation.

3.4 Activities
The Polish side will do the best to speed up the activities to launch the twinning activity as soon as possible.

Contract 1 - twinning
The Contract 1 will be implemented by twinning. One pre-accession advisers (PAA), for both: the Paying Authority and the Certifying Body shall support activities undertaken under component 1 and 2. He or she shall be supported by a number of medium- and short-term experts specialising in the areas described below. Assistance will be provided in the form of know-how transfer, advice, training, analysis, study visits and traineeships in MS relevant institutions. The Pre-accession Adviser (PAA) will work on a day-to-day basis with the staff from the designated Paying Authority (Foreign Assistance Funds Department) and the Certifying Body and will accompany the implementation of the twinning project. The PAA will be civil servant or equivalent staff seconded to work and be based in Ministry of Finance for 18 months.

PAA should:
• have experience of work in or with the Paying Authority of Member States administration,
• have a good understanding of the relevant EU funds regulations,
• have a broad knowledge of EU requirements with respect to the financial management of EU Structural Funds and Cohesion Fund with a particular emphasis on procedural aspects concerning financial control, audit, monitoring and reporting,
• have proven capacity in co-ordination of activities and actors involved in similar projects,
• speak fluent English.

The twinning partner shall:
• provide tailor-made advice, training, internships, study visits in MS administration and other form of assistance strengthening administrative capacities of all institutions involved,
• recommend experts for the project,
• co-ordinate activities run by experts in the Ministry of Finance and co-operate with other experts working in the framework of relevant projects under Phare 2002 supporting ministries to be discharged with the function of Structural Funds and Cohesion Fund Managing Authorities.

All the experts should:
- speak fluent English
- have good knowledge in the system of EU funds absorption in Member State.
- have experience in accession countries which is preferable.

Component 1 (Paying Authority)
The twinning assistance envisaged under this component will focus on adjustment and strengthening of the capacities of the Paying Authority to meet requirements deriving from structural funds regulations (Council Regulation 1260/99, Commission Regulation 438/01, Commission Regulation 448/01) and obligations for Cohesion Fund. (Council Regulation 1164/94 with subsequent changes)

The twinning partner should deliver:
1) Elaboration of the following subjects:
• the "Internal Procedures" for the Paying Authority; this evaluation report should verify existing procedures including: internal financial control for financial flows, rules concerning recovery returns of overpaid and unduly-paid funds, exchange rate, irregularities, accounting system,
• support in adjustment of existing procedures to the ones required,
• guidelines for system of monitoring and control in relevant ministries,
• development of financial management and monitoring systems for use by regional and local implementers.

2) Preparation of training/seminars concerning:
• regulatory basis, structure, tasks and internal procedures of Paying Authority on the basis of experiences of Member States (staff from the Ministry of Finance and Managing Authorities, Intermediate Bodies, Final Beneficiaries and voivod’s offices);
• reinforced capacity of the Paying Authority by means of its trained and educated staff in the field of different scope of activities and procedures regarding certification, external audit, ex-ante and ex-post controls (staff from the Ministry of Finance and Managing Authorities, Intermediate Bodies, Final Beneficiaries and voivod’s offices);
• methodology of identification of irregularities and rules of reporting including case study (staff from the Ministry of Finance and Managing Authorities, Intermediate Bodies, Final Beneficiaries and voivod’s offices);
• problems with differences of exchange rate including case study (staff from the Ministry of Finance and Managing Authorities, Intermediate Bodies, Final Beneficiaries and voivod’s offices);
• an international conference on exchange of experience of creation of PA’s in candidate countries - approx. 2 days;

It is planned that approx. 400 persons will be trained during the above-mentioned seminars and trainings.

3) Best Practice Exchange
• Undertaking a programme to review and identify Best Practice in EU and Candidate Countries by a series of intensive meetings with specialists from EU and other candidate countries and Poland at national and regional level. The preparation of a report and its implementation based on in
depth intervals, desk research, and practical study visits. Experience from Ireland, Spain, and Twinning partners. 3 one-week study visits for 7 persons from Paying Authority, Monitoring and Controlling Units, Final Beneficiaries.

- problems with differences of exchange rate
  - United Kingdom: in depth interviews and practical experience in Poland and UK for 8 persons (staff from the Ministry of Finance, future Paying Authority). One-week study visit.
  - experience for newly recruited key Paying Authorities personnel in implementation and functioning of the IT and management system for monitoring and financial control of the structural funds and Cohesion Fund in Member States, 3 one-week study visits to the, Spain, , Ireland and Brussels for 8 persons from Ministry of Finance, Ministry of Labour and Social Policy, Ministry of Economy, Ministry of Agriculture and Rural Development, Ministry of Environment and Ministry of Infrastructure.

The objective of the above-mentioned study visits is to acquaint the staff with practical experience and knowledge of the organisational structure, division of tasks and responsibilities, conducting of day-to-day work and best practice performed by the Paying Authority acting in these countries.

4) Short- Term Experts

- A team of experts will develop specialist areas. Short-term experts for 1 month for each area will verify existing procedures including: internal financial control for financial flows, rules concerning recovery returns of overpaid and unduly-paid funds, exchange rate (expert from Great Britain), irregularities, accounting system and will support in adjustment of existing procedures to the ones required. They will start the work beginning from the second month of project implementation. The requirements concerning these experts: the persons from the Paying Authority of the Member States, having practical experience and relevant qualifications. The area of needed knowledge: audit, accounting, analytical skills, public financial management.

Short-term experts for 1 month will prepare the guidelines for system of monitoring and control in relevant ministries. He/she will start the work beginning from the third month of project implementation.. The requirements concerning these experts: the persons from the Paying Authority, having practical experience in monitoring and control of EU Funds used in the Member States. Short–term experts will review existing and proposed financial management and monitoring systems at the regional level, undertaking gap analysis and plugging and training on identified needs.

- IT short -term expert for 2 months will be responsible for 1:
  - evaluating the compliance of the system’s functionality with the EC requirements,
  - proposing solutions improving the quality and quality control of the system,
  - assisting in technical reception of the system’s components,
  - assessing the data protection methodology,
  - the directions of further development of the system,
  - the plan and methodology of the system’s implementation,
  - the methods of users’ training proposed by the contractor,
  and assist in:
  - the technical reception of the system elements,

The IT medium-term expert will be based in the Ministry of Finance. He/She should possess relevant experience and expertise in:

- financial management or financial control of Structural Funds and Cohesion Fund at a central level (at least 5 years)
- wide area IT systems and data security problems,
- database systems (designing and exploitation),
- packet switching, data transmission, and the Internet (used mostly for data transmission purposes).

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1 Depending on time of realisation of this project and depending on the realisation of the project PL0003.04 some tasks of the IT expert could be changed.
According to the schedule, the preparation of the IT system for monitoring structural funds should start at the end of 2002. Till that time such issues as institutional and legal frames for the system, its functional description and the scope of information to be gathered and processed will be defined. The contractor for creating and implementing the above-mentioned IT system will be selected in IV quarter of 2002. In the I quarter of 2003 the General Project of the IT system will be made. The hardware basis and the wide area network will be completed before end of III quarter of 2003.

The beneficiaries of the component 1 will be the staff of the Paying Authority, Managing Authorities, Intermediate Bodies, voivod’s offices and Final Beneficiaries.

**Component 2 (Certifying Body)**

**Activities that should be provided by the twinning partner:**

Seminars and trainings in Poland.

- Trainings/seminars (approximately 8 short courses for about 190 persons in total to be trained) staff from Certifying Body, organisational units of treasury control and National Funds on the following subjects: Common Agriculture Policy: economics of rural farm, quality of production; Structural Funds; Ex-post controls; Basis of Polish accountancy;
- Trainings on internal audit for approximately 30 persons preparing the staff from Certifying Body and to the Certified Internal Auditor (CIA) exams. Trainings within the exact and specific scope of 4 parts of CIA;
- Trainings on accountancy for approximately 9 persons preparing the staff from Certifying Body and Internal Audit Unit (National Fund) to the Association of Chartered Certified Accountants (ACCA) exams.

**Study visits**

- study visits to: Ireland, United Kingdom, Spain, each study visit for 1 week for 10 persons. The objective is to acquaint the staff with the organisational structure, division of tasks and responsibilities, conducting of day-to-day work performed by Certifying Bodies acting in these countries.

**Secondments**

Secondment for 6 persons from the Certifying Body for one month to one of the Member States countries carrying out the certification tasks in the most effective manner. The idea is to send the persons to different countries to exchange the opinions. The objective is to acquaint the staff with practical knowledge and improve their qualifications in the area of certification. The countries foreseen: Ireland (3 persons), United Kingdom (2 persons), France (1 person).

**Medium-term experts**

Medium-term experts for 5 months each to develop the relevant procedures and guidelines to be applied in carrying out certification, to identify potential areas of tasks of the staff in the context of certification. One expert for European Agricultural Guidance and Guarantee Fund (EAGGF), another for Structural Funds and Cohesion Fund. They both will start work beginning from the second month of project implementation. The experts should be involved with the bodies/institutions carrying out certification tasks and have relevant qualifications and experience.

**The requirements concerning the expert for EAGGF:**

The expert should have:

- Extensive and practical experience (min 3 years) in certification or related activities including application of sampling and mathematics in order to certify the projects, sampling produces, probability theory under the expenditure charged to the Guarantee Section of EAGGF,
- Extensive and practical experience and knowledge in audit, auditing the efficiency of operations programs, financial auditing, evaluating internal controls, appropriate audit procedures problem solving and evaluating audit evidence, data gathering, documentation, and reporting of EU funded projects funded under Common Agriculture Policy,
- Practical experience (min 5 years) and knowledge in topics such as risk/scope identifying, prioritising of CAP funded project objectives and risks within an audit assignment, risk assessment, analyses and planning,
- Good analytical skills,
- Fluency in English
The requirements concerning the expert for Structural Funds and Cohesion Fund:
The experts should have:

- Extensive and practical experience (min 3 years) in dealing with declarations on winding up of the assistance including application of statistical techniques in order to certify the projects, sampling produces, probability theory under Structural Funds and as regards Cohesion Fund declarations when the projects are wound up,
- Extensive and practical experience and knowledge in audit, auditing the efficiency of operations programs, financial auditing, evaluating internal controls, appropriate audit procedures problem solving and evaluating audit evidence, data gathering, documentation, and reporting of EU funded projects funded under Structural Funds and Cohesion Fund,
- Practical experience (min 5 years) and knowledge in risk/scope identifying, prioritising of Structural Funds and Cohesion Fund funded project objectives and risks within an audit assignment, risk assessment, analyses and planning,
- Good analytical skills,
- Fluency in English

**Contract 2 investment**

**Component 1 – Paying Authority**
The scope of purchase for the Paying Authority
Procurement of necessary programme management and monitoring equipment (computers, administration software and programmes).
This will be achieved by the provision of a resource pool of equipment focussed primarily on the supporting and developing the capacities and compliance of final beneficiaries. The equipment will include computers and related equipment for management, monitoring, communication and training.

**Rules for providing equipment to be bought under Component 1 Contract 2 to other bodies and final beneficiaries will be agreed with the EC Delegation.**

**Component 2 – Certifying Body**
The scope of purchase for Certifying Body:
Specialist auditing and verification programmes and equipment for use in the field and support technical and communication equipment at the centre.
Certifying Body sees the necessity of purchasing within this project the following equipment: copy machine (2), laser printer colour (1), laser printer black and white (5), notebooks (12), desktop PC (5), multifunctional copying machine colour together with fax and scanner (1).

### 4.1 Institution framework:

Ministry of Finance – future Paying Authority for Structural Funds and Cohesion Fund - is responsible for implementation and co-ordination of project activities.

Direct Beneficiary of the component 1 of this project (twinning) will be the staff of the Ministry of Finance future Paying Authority. The Foreign Assistance Fund Department will be responsible for the implementation of the whole project.

Direct Beneficiary of the component 2 of contract 1 (twinning) will be the staff of the Certifying Body. This Body should be created on the basis of presently existing in Department of Treasury Control Unit for Control of Pre-accession Funds.

The Ministry of Finance is in charge of the set up arrangements for the co-ordination of all the tasks to be performed in future CAP, Structural Funds and Cohesion Fund are concerned.

**Other ministries such as:** Ministry of Labour and Social Policy; Ministry of Economy; Ministry of Agriculture and Rural Development; Ministry of Environment; Ministry of Infrastructure; voivod’s offices and implementing agencies will be implementing projects from structural funds.

### 5. Detailed budget (EUR)

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<th>INSTITUTION BUILDING (IB)</th>
<th>TOTAL PHARE (IN + IB)</th>
<th>NATIONAL CO-FINANCING*</th>
<th>IFI</th>
<th>TOTAL (PHARE + NATIONAL + IFI)</th>
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<tr>
<td>Contract 1 Twinning</td>
<td>1 600 000</td>
<td>1 600 000</td>
<td>400 000</td>
<td>2 000 000</td>
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Paying Authority and Certifying Body
Paying Authority and Certifying Body

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<thead>
<tr>
<th>Component 1</th>
<th>Component 2</th>
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<tbody>
<tr>
<td>1 200 000</td>
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<tr>
<td>400 000</td>
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<tr>
<td>300 000</td>
<td>500 000</td>
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Component 2

<table>
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<th>Component 2</th>
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<tr>
<td>1 300 000</td>
<td>25 000</td>
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<td>100 000</td>
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Total

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<td>2 000 000</td>
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<tr>
<td>500 000</td>
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<tr>
<td>2 500 000</td>
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</table>

The indicative financial breakdown for Phare funding of contract is component 1 (1.6 meurs) and component 2 (0.4 meurs).
The Polish authorities have assured that the national co-financing (governmental) is available either through the budget reserve foreseen specifically for this project or directly through the budget of Ministry of Finance.

6. Implementation arrangements:

6.1. Implementing Agency

PAO: Krystyna Gurbiel, Undersecretary of State at the Office of the Committee for European Integration, Aleje Ujazdowskie 9, 00-918 Warsaw, tel. (48 22) 455 52 41, fax (48 22) 455 52 43
CFCU: Mr Wojciech Paciorkiewicz, Director of the CFCU “Cooperation Fund”, 4a Górnoślaska Street, 00-444 Warsaw, tel. +48 22 622 84 64; fax +48 22 622 72 12.
CFCU will be responsible for contracting all activities under the projects and managing payments relating to performance of these activities.

Ministry of Finance will be responsible for overall co-ordination and supervision of all activities undertaken within the project and certification of payment requests.
It will also be responsible for nominating adequate Senior Project Officer (SPO) and project leader.

6.2. Twinning

The Ministry of Finance will be the party to the covenant. The PAA and all the experts will be placed in the Ministry of Finance.
Twinning is envisaged with one twinning partner institution, possibly with an involvement of another Member State to prepare for the study visits and secondments.
Contact person in Ministry of Finance for contract 1 component 1 and contract 2 component 1 is:
Ms Barbara Styczen, Head of Unit in the Foreign Assistance Funds Department, 12 Swietokrzyska Str., 00-916 Warsaw, tel. (+48 22) 694 58 06, Fax: (+48 22) 694 38 18, e-mail: barbara.styczen@mofnet.gov.pl
Contact person in Ministry of Finance for contract 1 component 2 and contract 2 component 2 is:
Mr Adam Rogowski, Head of Unit for Control of Pre-accession Funds, Department of Treasury Control, Str. Swietokrzyska 12, 00-916 Warsaw, tel. (+48 22) 694 55 34, Fax: (+48 22) 694 49 44, e-mail: adam.rogowksi@mofnet.gov.pl

6.3. Non-standard aspects

Handling of tenders and contracts and realisation of the project will be in line with procedures governed by Practical Guide for PHARE ISPA and SAPARD.

6.4. Contracts

The project foresees 2 contracts financed by Phare funds for a total of 2 000 000 Euro: one contract for twinning part and one supply contract.
Contract 1 – Twinning arrangements: in total 1 600 000 Euro (Phare).
Contract 2 - Procurement of IT and related equipment 500 000 Euro (Phare 400.000 and 100.000€ national co-financing) - joint co-financing

7. Implementation schedule:

Twinning:
All twinning activities will be grouped in one package and implemented as one contract:

- **Start of design of project** – Q4/2002
- **Start of tendering** – Q2/2003
- **Start of project activity** – Q2/2003
- **Completion** – Q4/2004

8. Equal Opportunity

Male and female participation in the project will be based on the relevant standards of the European Union concerning EOE and will be assured by official announcements published in order to recruit the personnel needed for the project completion. The main criterion for staff recruitment will be appropriate qualifications and experience in similar projects, not sex or age. Both men and women will have equal opportunities and salaries.

9. Environment: N/A
10. Rates of return: N/A
11. Investment criteria: N/A

12. Conditionality and sequencing:

Realisation of this project aimed to the Paying Authority depends on the good and on-time implementation of the Polish system of the implementation of the structural funds and Cohesion Fund. It is also important the efficient and timing performance of the project by the twinning partners.

**Sequencing:**

- The decision concerning the exact placement of Certifying Body within the structure should be taken in Q2/2002.
- The process of staff recruitment should be finished before the physical project performance starts.

**Conditionality**

- Rules for providing equipment to be bought under component 1 contract 2 to other bodies and final beneficiaries will be agreed with The EC Delegation.

**ANNEXES TO THE PROJECT FICHE:**

1. Annex 1 – Logical framework matrix of the project,
2. Annex 2 - Detailed implementation, contracting and disbursement schedule,
### Project Title

**STRENGTHENING OF THE INSTITUTIONAL BASIS AND OPERATIONAL CAPACITY OF THE MINISTRY OF FINANCE TO ENSURE CARRYING OUT THE TASKS OF FUTURE PAYING AUTHORITY AND CERTIFYING BODY**

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
| Creation and strengthening of the institutional basis and operational capacity in Poland for application of the rules included in Community Regulations regarding the tasks of future Paying Authority and Certifying Body. | Paying Authority and Certifying Body which will be:  
- operational  
- independent  
- effective  
- equipped with the office equipment | The Paying Authority will be appointed in the framework of Ministry Finance Act on establishment of the Certifying Body |

### Immediate Objectives

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying Authority and Certifying Body</td>
<td>The Paying Authority will be appointed in the framework of Ministry Finance Act on establishment of the Certifying Body</td>
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</tbody>
</table>
increasing the capacity of the future Paying Authority (Ministry of Finance) for all Structural Funds as well as for Cohesion Fund to fulfil obligations deriving from the relevant UE regulations (described in Council Regulation 1260/99; Council Regulation 1164/94; Commission Regulation 438/01; Commission Regulation 448/01 and others), ensuring the adequate preparation of the staff of the Paying Authority to proper use of the IT systems for monitoring and financial control of the Structural Funds and Cohesion Fund in Poland, ensuring the knowledge of the staff of the Paying Authority and users at regional and national level to use of the IT systems for monitoring and financial control of the Structural Funds and Cohesion Fund in Member States, enhance the administrative capacities at regional and national level in terms of authorities or bodies involved in the preparation and implementation of Structural Funds and the Cohesion Fund, strengthen the financial and budgetary management concerning: -co-financing and financial management of Structural and Cohesion Funds assistance, ensuring the capacity of the Certifying Body to perform its duties of delivering a certificate within EAGGF Guarantee section after accession of Poland to European Union, ensuring the adequate preparation of the staff of the Certifying Body to issue declaration on winding-up of the assistance within Structural Funds and Cohesion Fund after accession of Poland to European Union. Strengthen the physical capacity and reach of Structural Funds and Cohesion Fund payment and monitoring systems -The Paying Authority will be appointed in the framework of Ministry Finance - Act on establishment of Certifying Body, - Enforced technical and administrative framework of the Paying Authority and the Certifying Body, - Staff of the above-mentioned institutions prepared for the carrying out appropriate tasks, -Staff from the Paying Authority the Certifying Body trained, educated and acquired with practical skills, - Office equipment in stalled and working effectively, - Elaborated individual plans of future trainings for each person from the Paying Authority and the Certifying Body, - Elaborated procedures on rules connecting with financial flows, monitoring and financial control, as well as external audit and ex-ante and ex-post control, - Elaborated manual in the above-mentioned fields, - Created technical library equipped with books and other materials from the area of certification, audit, accounting, Common Agricultural Policy, Structural Funds and Cohesion Fund, - Prepared working materials concerning plans of controls.

Total: approx. 770 persons trained, educated and acquired with practical skills, among which Approx. 470 persons from the side of Paying Authority (approx. 400 at
seminars, 66 in study visits) and approx. 269 persons from the Certifying Body (230 at seminars, 30 in study visits and 10 in secondments).
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1 – Paying Authority</strong></td>
<td><strong>Component 1</strong>&lt;br&gt;- The Paying Authority will be appointed in the framework of Ministry Finance&lt;br&gt;- Enforced technical and administrative framework of the Paying Authority&lt;br&gt;- Staff of the Paying Authority prepared for the carrying out appropriate tasks&lt;br&gt;- Staff from the Paying Authority trained, educated and acquired with practical skills&lt;br&gt;- Elaborated procedures on internal financial control for financial flows, exchange rate, irregularities, accounting system,&lt;br&gt;- Elaborated manual on internal financial control for financial flows, exchange rate, irregularities, accounting system,&lt;br&gt;- Guidelines for monitoring and control units prepared in paper version&lt;br&gt;- staff trained in using of the IT system for monitoring and financial control of the Structural Funds and Cohesion Fund in Poland&lt;br&gt;- approx. 400 persons trained, educated and acquired with practical skills.&lt;br&gt;<strong>Component 2</strong>&lt;br&gt;- Act on establishment of Certifying Body,&lt;br&gt;- Enforced technical and administrative framework of the Certifying Body,&lt;br&gt;- Experts’ recommendations,&lt;br&gt;- Experts’ reports during project implementation,&lt;br&gt;- Analysis carried out by the experts,&lt;br&gt;- Experts’ reports after completion of the project,&lt;br&gt;- Notes prepared after the meetings of parties involved in project implementation,&lt;br&gt;- Notes/Resumes prepared for the ministerial board,&lt;br&gt;- Procedures on financial flows, monitoring and financial control, as well as external audit and ex-ante and ex-post control in paper version,&lt;br&gt;- Manual on financial flows, monitoring and financial control, external audit and ex-ante and ex-post control in paper version,&lt;br&gt;- Manual on financial flows, monitoring and financial control, as well as external audit and ex-ante and ex-post control in paper version,&lt;br&gt;- Technical library in place,&lt;br&gt;- Working materials concerning plans of controls, conducting of controls and reporting in paper</td>
<td><strong>Component 1 and 2</strong>&lt;br&gt;- Experts’ recommendations,&lt;br&gt;- Experts’ reports during project implementation,&lt;br&gt;- Analysis carried out by the experts,&lt;br&gt;- Experts’ reports after completion of the project,&lt;br&gt;- Notes prepared after the meetings of parties involved in project implementation,&lt;br&gt;- Notes/Resumes prepared for the ministerial board,&lt;br&gt;- Procedures on financial flows, monitoring and financial control, as well as external audit and ex-ante and ex-post control in paper version,&lt;br&gt;- Manual on financial flows, monitoring and financial control, as well as external audit and ex-ante and ex-post control in paper version,&lt;br&gt;- Technical library in place,&lt;br&gt;- Working materials concerning plans of controls, conducting of controls and reporting in paper</td>
<td><strong>Assumptions</strong></td>
</tr>
</tbody>
</table>
Poland, financial and management units prepared to use Polish IT system, evaluation and verification of the “Internal Procedures” for the Paying Authority based on the report prepared in the framework of the World Bank Grant for Support of a Monitoring and Evaluation System of the Use of European Union (EU) and Other Foreign Funds; this evaluation report should include following topics: internal financial control for financial flows, exchange rate, irregularities, accounting system and audit trail.

Guidelines for monitoring and control units prepared,
Preparing the staff of the Ministry of Finance to carrying out the tasks of future Paying Authority (qualified and competent staff, familiar with the tasks of Paying Authority, internal procedures for National Fund, rules concerning recovery and return of funds, problems with differences of exchange rate)

Component 2 – Certifying Body
Reinforced capacity of the Certifying Body by means of its trained and educated staff in the different scope of activities and procedures regarding certification, external audit and ex-post controls.
Adequately prepared the staff of the Certifying Body ensured to deliver a certificate within EAGGF Guarantee Section,
Adequately prepared the staff of the Certifying Body ensured to issue declarations on closure of the assistance. Structural Funds and Cohesion Fund after accession of Poland to European Union,
Acquired with practical skills the staff of the administrative framework of this Body,
- Staff of this Body prepared for the carrying out appropriate certification
- Staff from the Certifying Body and National Fund trained, educated and acquired with practical skills,
- Elaborated procedures on external audit and ex-post control.
- Elaborated manual on external audit.
- Created technical library equipped with books and other materials from the area of certification, audit and accounting.
- Prepared working materials concerning plans of controls, conducting of controls and reporting.
Approx. 269 persons trained, educated and acquired with practical skills, among which 229 at seminars, 30 in study visits and 10 in secondments.

Monitoring and supervision systems in place and used effectively by beneficiaries and monitoring and management staff.
Certifying Body; Improved qualifications of the staff inter alia by conducting of an audit on the spot, Elaborated procedures on external audit and ex-post control, Elaborated manual on external audit, Prepared working materials concerning plans of controls, conducting of controls and reporting, Created technical library covering the books and materials from the area of certification, audit and accounting, Common Agriculture Policy, Structural Policy and Cohesion Policy. **Systems Development**
This will be achieved by the provision of a resource pool of equipment focussed primarily on the supporting and developing the capacities and compliance of final beneficiaries and supervision services. The equipment will include computers and related equipment for management, monitoring, communication and training.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td>- Trainings and seminars,</td>
<td>- Twinning covenant: PAA for the whole period of project implementation, other experts as specified in point 3.4 of standard project fiche.</td>
<td>- Staff of the Paying Authority and the Certifying Body effectively involved in project.</td>
</tr>
<tr>
<td>Study visits, secondments,</td>
<td>- Staff of the Paying Authority, Managing Authorities, Intermediate Bodies, Final Beneficiaries, voivod’s offices and the Certifying Body.</td>
<td>-Technical preparation of staff of the Paying Authority and the Certifying Body to extend their capacity,</td>
</tr>
<tr>
<td>International Conference</td>
<td>- Equipment installed</td>
<td>- The attitude of staff of the Paying Authority and the Certifying Body to the usefulness of project activities,</td>
</tr>
<tr>
<td>- Assistance from PAA’s side,</td>
<td></td>
<td>- Quality of seminars</td>
</tr>
<tr>
<td>- Assistance from the experts’ side</td>
<td></td>
<td></td>
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<tr>
<td>- equipment</td>
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</table>
**Preconditions**

The administrative structure presented above, is proposal and shall be a subject to agreement on its structure in the context of accession negotiation and in the context of negotiations on programming documents. This scheme may change therefore but the functions not significantly.

Realisation of this project aimed to the Paying Authority depends on the good and on-time implementation of the Polish system of the implementation of the structural funds and Cohesion Fund.

An organizational conception of Certifying Body is being prepared by the Department of Treasury Control. Conception presumed division of tasks: tasks of Certifying Body will be separated from the other control tasks.

Sequencing:
- The decision concerning the exact placement of Certifying Body within the structure should be taken in Q2/2002.
- The process of staff recruitment should be finished before the physical project performance starts.

Staffing is a responsibility of the Director General of Ministry of Finance that means that he will also be accountable in case of employment of persons to the Paying Authority and the Certifying Body. From practical view the number considered is around 27 for the Certifying Body and around 80 persons for the Paying Authority.
Annex 2 – 3 Detailed implementation, contracting and disbursement schedules

<table>
<thead>
<tr>
<th>IMPLEMENTATION SCHEDULE OF THE PROGRAMME</th>
<th>Date of Drafting</th>
<th>5 July 2002</th>
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<tbody>
<tr>
<td>Project Title</td>
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<tr>
<td>STRENGTHENING OF THE INSTITUTIONAL BASIS AND OPERATIONAL Capacity of the Ministry of Finance to Ensure Carrying Out the Tasks of Future Paying Authority and Certifying Body.</td>
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<tr>
<td>Planning Period</td>
<td></td>
<td>IV Q 2002 – II Q 2004</td>
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<tr>
<td>Phare Budget Allocation in Euro: 2 meuro</td>
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<tr>
<td>Phare Cost estimate: 2 meuro</td>
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Implementation Schedule (Quarterly Cumulative)

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<tbody>
<tr>
<td>IV '02</td>
<td>I '03</td>
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<tr>
<td>(1)</td>
<td>(2)</td>
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<tr>
<td>Implementation schedule</td>
<td>D</td>
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<tr>
<td>Contracting schedule</td>
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<tr>
<td>Disbursement schedule</td>
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Legenda:
D = design of sub-projects
C = tendering and contracting
I = contract implementation and payment
Cumulative
Note: 80% paid to Twinning Partner

Paying Authority and Certifying Body