**Strengthening of the protection of the EU financial interests**

1. **Basic Information**
   1.1. CRIS Number: 2004/016-829.01.09 Twinning No: PL2004/IB/FI/01

   1.2. **Title:** Strengthening of the protection of the EU financial interests.

   1.3. **Sector:** Justice and Home Affairs, Financial Control

   1.4. **Location:** Poland

2. **Objectives:**
   
   2.1. **Overall objective:**

   Strengthening of the protection of the EU financial interests in Poland

   2.2. **Project purpose/immediate objective:**

   - Strengthening of the administrative and operational capacity of the Bureau for International Treasury Relations (ITR) - an Anti – Fraud Co-ordination Service (AFCOS) in Poland and the Multidisciplinary Team for Combating Fraud against Republic of Poland and European Union (GAFU); as well as the as the Multidisciplinary Working Groups acting in the framework of GAFU Team;

   - Improvement of the methodology of work of the special units within Treasury Control Offices responsible for control of the EU funds;

   - Achieving of the higher level of knowledge of the legal framework regarding protection of EU financial interests;

   - Development of the risk analysis system in order to assure the appropriate level of the protection of EU funds and resources;

   - Creating efficient system of prevention and detection of irregularities.

2.3. **Justification:**

In the *Comprehensive Monitoring Report* of 5th November 2003 on the Poland’s preparation for the membership, EU experts indicated the need of the substantial reinforcement of the Polish AFCOS and ensuring the proper level of co-ordination with other law enforcement bodies. “The administrative and operational capacity of the anti fraud co – ordination services (AFCOS) with other relevant institutions and bodies, needs to be substantially reinforced and demonstrated by concrete and convincing actions”.

Additionally, in the report of the Second Monitoring Mission (chapter 24. *Justice and Home Affairs*) the need of the establishing of links between the above-mentioned services was stressed:

“One of the most urgent tasks of the Multidisciplinary Team for Combating Fraud against the Republic of Poland or the European Union will be establishing a proper and clear liaison between the ITR and other law enforcement agencies”.

Referring to this, five interministerial working groups have been established:

- Multidisciplinary Working Group for combating cigarettes smuggling;

- Multidisciplinary Working Group for combating subsidiary frauds;

- Multidisciplinary Working Group for combating fuel-related frauds;

- Multidisciplinary Working Group for Development of the National Strategy on the Prevention of Economic Crime;

- Multidisciplinary Working Group for Preventing of Irregularities in EU Funds.
However, there is a need of further improvement their operational capacity as well as strengthening liaison between law enforcement agencies and administrative bodies responsible for the protection of EU financial interest.

3. **Description:**
   **3.1. Background and justification:**

Fulfilling the obligation of the protection of the European Communities’ financial interests originating from art. 280 of the EC Treaty.

The actions undertaken within the framework of this project will contribute to strengthening of an administrative and operational capacity of AFCOS. It will ensure that the membership obligations related to strengthening the financial control services in carrying out the control of EU funds and resources will be met.

The measures undertaken within the area of the project are aimed at strengthening the Multidisciplinary Team for Combating Fraud (GAFU) and assuring the proper level of the protection of EU financial interests.

Protection of Community financial interests is Polish’s Government obligation resulting from negotiation field No 24. Justice and Home Affairs and No 28. Financial Control. Efficient protection of the financial interests of the Communities might be achieved as a result of integrated activity of several services, which are responsible for protecting both Polish and EU financial interests.

The system of protection of the EU financial interests in Poland is based on the institution of the Government Plenipotentiary for Combating Frauds against Republic of Poland or European Union and two assisting structures: Multidisciplinary Team for Combating Frauds against Republic of Poland or European Union (GAFU) and the Bureau for International Treasury Relations within the Ministry of Finance (AFCOS). The Plenipotentiary’s post was established on the basis of the Council of Ministers Regulation of 1st of July 2003.

Protection of Polish and EU financial interests requires the close co-operation and co-ordination of the activities of many services. In order to achieve an appropriate level of such a co-ordination the GAFU was created. The efficiency of the GAFU is crucial for the assuring of the safety of the EU resources. According to European Commission the structure requires further development. Its operational skills should be substantially reinforced.

Some part of training has already been organised in the framework of different PHARE projects. However, the need of further training is still clearly visible.

The appropriate level of the protection of the EU funds and resources requires the creation of the system of prevention and detection of possible irregularities. Knowledge of professional data management will allow to create an effective system.

The technical assistance component is aimed at strengthening of the administrative capacity and achieving the high level quality work of the Treasury Control Offices’ units responsible for EU funds control. External audit company will perform an audit in the scope of conformity of TCO’s tasks with EU legal provisions and will evaluate the methodology of the controls.

Elaborating of the methodology and procedures on risk analysis is essential for implementation of acquis communautaire (particularly Reg. 4045/89).
This project will build upon the OLAF Multi-Country Programme and take its results into account. An update of tasks to be carried out might be necessary following the results of the aforementioned project.

3.2. Linked activities:
This program is related with following PHARE programs:

- PHARE PL 9904.05 *Development of a horizontal anti-fraud structure – Phase 1*;
- PHARE PL 0003.04 *Internal financial control at regional level* (the trainings for employees of units for control of EU funds located within the Treasury Control Offices);
- Multicountry Programme PHARE MCP PH 1412/2002 *Anti – Fraud program for the protection of financial interests of the Community*.

3.3. Results:
Component I

1. Achieved full administrative and operational capacity of the Bureau for International Treasury Relations and its GAFU partners; elaborated effective co-operation and information exchange between the combating fraud institutions; created system of fraud prevention concerning the most risk-affected areas;
2. Improved methodology of work (system) of the special units within Treasury Control Offices responsible for control of the EU funds;
3. Gained deep knowledge, by GAFU members, on the legal provision regarding protection of EU financial interests - in order to execute the responsibilities conferred to the Team; it is necessary to conduct trainings and seminars covering EU legislation in-force and amendments planned;
4. Developed system of risk analysis and data processing within the scope of the protection of EU funds and resources;
5. Completed study which aim at identifying the areas that need to be strengthened in order to better protect the EU financial interests in Poland.

Component II

1. Improved quality assurance report, made by external audit company, on the results of control of work performed by units for control of EU funds, with the recommendations concerning possible improvements.
2. Delivered Report on assessment of “the system of quality assurance”, created and used by employees of ITR Bureau, with the recommendations concerning possible improvements.
3. Delivered “system of quality assurance” of the controls performed in the framework of Reg. 4045/89.

3.4. Activities
Component I – Twinning
One long-term twinning expert (for the period of a maximum 16 months) will:
- co-ordinate a work of medium/short-term experts,
- prepare a study on protection of EU financial interests in Poland,
- elaborate the training programme, constant support for the Bureau for International Treasury Relations,
- strengthening the operational capacity of five Multidisciplinary Working Groups that have been established within GAFU Team.
The main workplace of the long-term expert will be the Ministry of Finance. He/She will cooperate with the Bureau for International Treasury Relations, which provides technical assistance to the Government Plenipotentiary for Combating Frauds against Republic of Poland or European Union budgets and to the Multidisciplinary Team for Combating Fraud (GAFU). If it is the case, the expert will participate in the works of Multidisciplinary Working Groups as an advisor.

The expert should have deep knowledge and relevant experience in the field of:
- Mutual assistance and international co-operation in customs and fiscal matters,
- Protection of EU financial interests/detection of irregularities/combating frauds,
- EU funds control.

Medium/short–term experts able to elaborate some particular problems in the area of combating frauds against the EU budget and perform specific training on:

- applying of the European law within the scope of protection of the EU financial interests for representatives of the services participating in GAFU; the analysis of the legislation in-force and amendments planned in the scope of combating potential fraud or irregularities in the specific areas. Such training will be delivered to Multidisciplinary Working Groups responsible for combating fraud – i.e. Multidisciplinary Working Group for combating subsidiary frauds, Multidisciplinary Working Group for combating fuel-related frauds
- administrative co-operation in custom and fiscal matters for representatives of the services participating in GAFU; these training will be delivered to the co-operating institutions and agencies responsible for protection of the financial interests of Poland and the EU
- fighting against subvention crimes for the representatives of the services participating in GAFU; this training will be delivered to the institutions and agencies represented within the Multidisciplinary Working Group for combating subsidiary frauds;
- the investigation techniques for representatives of the services participating in GAFU;
- different matters relating to prevention, detection and combating frauds against EU budget for representatives of the services participating in GAFU;
- methods of data processing (including risk analysis within the Common Agriculture Policy matters) – training for ITR, TCO, Customs Administration, Ministry of Agriculture’s services.

Component II - Technical assistance
Advisory/audit services
The technical assistance component is aimed at strengthening of the administrative capacity and achieving the high level quality work of the Treasury Control Offices’ units responsible for EU funds control. Part of its employees have already been trained in the area of control of the EU funds. The training were mainly focused on theoretical aspects of performing controls (including elements of audit approach). The rest of employees is to be trained during the year 2004. There will be a need to verify the use of knowledge gained during the training while performing controls and to check the compliance of control activities with the methodology which should be used. The above-mentioned objective will be achieved by cooperation of services of treasury control, responsible for control of the EU funds, with the external audit company. Contract for advisory/audit services, provided by external audit company, which experience could guarantee the quality of work done. The external audit company will be
responsible for assessment of work performed by units for control of the EU funds and for assessment of “the system of quality assurance”, created and used by employees of ITR Bureau. 

The external audit company will be obliged to audit the activities of all 16 Treasury Control Offices in the area of control of EU funds. 

The external audit company will be obliged to provide “the system of quality assurance” of the controls performed in the framework of Reg. 4045/89.

4. Institutional framework: 

The Bureau for International Treasury Relations within the Ministry of Finance as a partner of the European Anti – Fraud Office (OLAF) in Poland.

5. Detailed Budget:

<table>
<thead>
<tr>
<th>Investment Support, I</th>
<th>Institution Building, IB</th>
<th>I + IB</th>
<th>National Cofinancing</th>
<th>Total</th>
</tr>
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<tr>
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<td>678 600</td>
<td>678 600</td>
<td>75 400</td>
<td>754 000</td>
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<td>TA1</td>
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<tr>
<td>TA2</td>
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<td>360 000</td>
<td>40 000</td>
<td>400 000</td>
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<tr>
<td>TOTAL:</td>
<td>1 443 600</td>
<td>1 443 600</td>
<td>160 400</td>
<td>1 604 000</td>
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</tbody>
</table>

6. Implementing arrangements: 

6.1 Implementing Agency: 

- **PAO:** Tadeusz Kozek, Under-secretary of State at the Office of the Committee for European Integration, Aleje Ujazdowskie 9, 00-918 Warsaw; Phone: +48 22 455 52 41, fax: +48 22 455 52 43; 
- **CFCU:** Foundation “Cooperation Fund”, Górnośląska 4a, 00 – 444 Warsaw, Phone 48 22 622 00 31, fax 48 22 622 95 69; 

The CFCU is responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Finance.

6.2 Twinning: 

Contact persons for the project: 

- Adam Hempel, Acting Director of the Bureau for International Treasury Relations, Ministry of Finance, ul. Świętokrzyska 12, 00-916 Warsaw, phone +48 22 694 3830, fax +48 22 694 35 67; mail: Adam.Hempel@mofnet.gov.pl 
- Małgorzata Skocinska, Head of Policy and Project Management Unit, Bureau for International Treasury Relations, Ministry of Finance, ul. Świętokrzyska 12, 00-916 Warsaw, phone: +48 22 694 33 42, fax: +48 22 694 35 67, mail: Malgorzata.Skocinska@mofnet.gov.pl
6.3 Non-standard aspects:

6.4 Contracts:
Component I - twinning – 678 600 EURO from Transition Facility, 75 400 EURO of Polish parallel co-financing;
Component II
I. technical assistance – 450 000 Euro – gross value (405 000 EURO from Transition Facility, 45 000 EURO of Polish co-financing – joint co-financing):
- contract for technical assistance - assessment of work performed by units for control of EU funds, assessment of “the system of quality assurance”;
- contract for technical assistance - external audit of the activities of Treasury Control Offices in the area of the control of EU funds;
II. technical assistance – 400 000 EURO – gross value (360 000 EURO from Transition Facility, 40 000 EURO of Polish co-financing – joint co-financing):
- contract for technical assistance – “the system of quality assurance” of the controls performed in the framework of Reg. 4045/89.

7. Implementation schedule:
7.1 start of tendering I quarter 2005
7.2 Start of project activity III quarter 2005
7.3 Project completion II quarter 2007

8. Sustainability:
It is foreseen to assure the sufficient financial resources within the scope of co-financing the transition facility programme.

9. Conditionalities and sequencing:
- Preparation of twinning covenant and Terms of References
- Signing of the Twinning Covenant
- Signing the TA contracts
- Assistance for the Bureau for International Treasury Relations
- Training
- Implementation of the TA contracts
## Annex 1: LOGFRAME PLANNING

### LOGFRAME PLANNING MATRIX FOR MATRYCA LOGICZNA PROJEKTU

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Strengthening of the protection of the EU financial interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires</td>
<td>Disbursement period expires</td>
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<tr>
<td></td>
<td>I Q 2007</td>
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<tr>
<td>Total budget</td>
<td>Transition Facility Budget</td>
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<tr>
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<td>1.604,000 €</td>
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<td>1.443,600 €</td>
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### Project: STRENGTHENING OF THE PROTECTION OF EU FINANCIAL INTERESTS.

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
| Strengthening of the protection of the EU financial interests in Poland           | • Information transmitted to the EU Commission on the results of controls and irregularities requested by several EC regulations  
• Discussion on the actual fraud cases within the relevant EC committees.       | • Audit report on the effective capacity;                                                        |
|                                                                                  |                                                                                                  | • Evaluation of the twinning partners;                                                         |
|                                                                                  |                                                                                                  | • Official publications.                                                                      |

### Project purpose (Immediate Objectives)

<table>
<thead>
<tr>
<th>Component I</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
|             | • Information transmitted to the EU Commission on the results of controls and irregularities requested by several EC regulations  
• Possibly new Polish legislation;                                        | Commission reports and Decision on financing;                                      |
|             | • Number of cases transmitted to the Court related to fraud and irregularities;                     | Reports of Experts;                                                                    |
|             | • Amount of funds recovered;                                                                        | Reports of Polish authorities and press release;                                      |
|             | • Instructions related to the risk analysis.                                                       | Official publications.                                                                  |
|             | • Instructions/manuals and guidelines for controls;                                                | Recommendations provided by the experts                                                  |
|             | • Recommendations provided by experts;                                                              | Final assessment                                                                      |

### Assumptions

- Twinning covenant signed;
- Relevant experts available;
- Trained officials remain in function or – in case of leaving - transmit their knowledge to other officials;
- Real co-operation of the partners, including the partners in mutual assistance.
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td><strong>1. Component I</strong></td>
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<tr>
<td>1. Achieved full administrative and operational capacity of the Bureau for International Treasury Relations and its GAFU partners; elaborated effective cooperation and information exchange between the combating fraud institutions; created system of fraud prevention concerning the most risk-affected areas;</td>
<td>• Information transmitted to the EU Commission on the results of controls and irregularities requested by several EC regulations;</td>
<td>Component I</td>
<td>Twinning covenant signed; Relevant experts available; Co-financing available; Adequate selection of participant in training session; Relevant information made available; No legal obstacle for the exchange of the needed information and data.</td>
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<tr>
<td>2. Improved methodology of work (system) of the special units within Treasury Control Offices responsible for control of the EU funds;</td>
<td>• Fast reaction to demand of controls from the Commission and other competent authorities within the Member States;</td>
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<tr>
<td>3. Gained deep knowledge of GAFU members on the legal provision regarding protection of EU financial interests – in order to execute the responsibilities conferred to the Team; conducting trainings and seminars covering EU legislation in-force and amendments planned;</td>
<td>• Well functioning databases and efficient follow-up of the fraud cases (communications requested by EU legislation);</td>
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<tr>
<td>4. Developed system of risk analysis and data processing system within the scope of the protection of EU funds and resources;</td>
<td>• Instructions to the competent services, including on risk analysis;</td>
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<tr>
<td>5. Completed study which aim at identifying the areas that need to be to be strengthened in order to better protect EU financial interests in Poland.</td>
<td>• Trainings and consultancy performed in time at the right level of quality and target population.</td>
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<tr>
<td><strong>2. Component II</strong></td>
<td>Recommendation of the audit service</td>
<td>Final assessment</td>
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<tr>
<td>1. Improved quality assurance report, made by external audit company, on the results of control of work performed by units for control of EU funds, with the recommendations concerning possible improvements;</td>
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<tr>
<td>2. Delivered Report on assessment of “the system of quality assurance”, created and used by employees of ITR Bureau, with the recommendations concerning possible improvements;</td>
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<td>3. Delivered “system of quality assurance” of the controls performed in the framework of Reg. 4045/89.</td>
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<td>Activities</td>
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<tr>
<td><strong>Component I</strong>&lt;br&gt;Twinning with long term expert for the study on the protection of the EU and Polish financial interests and the coordination of the short-term experts.&lt;br&gt;Short and medium term experts should cover the following areas:&lt;br&gt;• Support (training and consultancy) in the different law, directives and convention within the scope of the protection of the EU financial interests;&lt;br&gt;• Support in the implementation of administrative co-operation in customs and fiscal matters;&lt;br&gt;• Support in the improvement of the operational capacity, including investigation techniques to fight against fraud on EU funds spent in Poland;&lt;br&gt;• Support in the improvement of data processing ('intelligence activities').&lt;br&gt;<strong>Component II</strong>&lt;br&gt;Technical assistance by audit services to improve the audit skill and knowledge in conducting audit skills and controls;&lt;br&gt;Assessment, at the end of actual audits competencies;</td>
<td><strong>Component I</strong>&lt;br&gt;Twinning covenant;&lt;br&gt;1 Long-term expert;&lt;br&gt;Preliminary study to determine the profiles number and qualification of the short/medium terms experts and the precise content of individual actions.&lt;br&gt;<strong>Component II</strong>&lt;br&gt;Service contract with specialised audit company.</td>
<td><strong>Preconditions</strong>&lt;br&gt;Funds available;&lt;br&gt;Twinning covenant concluded.</td>
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### Aneks 2-3: Implementation, contracting and disbursement schedules

#### Date of Drafting
13 February 2004

#### Planning Period
1 January 2005 – January 2007

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#### Legenda:
- D = design of sub-projects
- C = tendering and contracting
- I = contract implementation and payment

* podać kwoty w mln EURO narastająco