Utilisation of resources allocated to the project on student boarding houses

Audit Report No OSIII-2-6/05/18 of March 14, 2005

Executive summary

The State Audit Office (SAO) has audited the project on student boarding houses. In the framework of the project the first boarding houses were set up in 2002, in order to ensure the living, learning and growing conditions corresponding to the individual needs of children. EEK 18 million was appropriated for this purpose through the Ministry of Education and Research both in 2003 and in 2004. In the academic year 2003/2004, there were all in all 215 government-funded places in 15 boarding houses and in the academic year 2004/2005 there are 317 funded places in 21 boarding houses.

Relevant observations

According to the SAO, the network of student boarding houses is not systematically developed and the analyses underlying the regulation of the number, location and residents of boarding houses are insufficient. There are no clear principles or procedures in place for the establishment of boarding houses and the payment of capitation fees for boarding students. The Ministry of Education and Research has not taken all necessary measures to control the purposeful use of monies allocated through the state budget to the project on boarding houses.

The SAO has found that, in investment planning, the number of government-supported boarding students is calculated to be bigger than the number of places later ordered by the Ministry from the boarding houses. Further, there are often fewer students accommodated in boarding houses than set forth in the contract made between the Ministry and a local government body. What are the consequences if boarding students for whom the government has paid to the local authority do not stay in the boarding house for a prolonged period of time – this is an issue to be tackled. The SAO analysed the daily records and made the calculation that the Ministry had paid to local authorities EEK 351,500 in excess for the months when boarding students were not actually staying in boarding houses.

Local authorities have in certain cases failed to comply with the provisions of the contracts made with the Ministry. On several occasions, the building deadlines for boarding houses have not been met in the utilisation of funds earmarked for investment. EEK 68,000 of investment funds had been used for purpose other than for which they had been appropriated in the programme of action appended to the contract made between the Ministry of Education and Research and the respective local government body. Even though local authorities were late in the submission of reports on the utilisation of funds under the contract, the Ministry did not impose any penalties.

On several occasions students were admitted to boarding houses not on the basis of an application as provided by the law, but of other documents. Although a boarding house is required to draw up a summary of student achievements, produced in collaboration with a municipal government, and give an assessment of the relative performance of the family, this requirement had not been met.

Major proposals to the Minister of Education and Research

- Develop and enforce principles for ensuring that student boarding houses are established only with viable schools, that the boarding houses are of optimal size and that the allocated funds are used for the purpose for which they were designated.
- Establish the procedure for the allocation and payment of the appropriation and its corresponding procedural rules, approve of the application and report formats.
- Specify in detail the applicable control measures and, if necessary, the applicable penalties in the contracts made with local authorities.
- Review and claim from local authorities the recovery of funds which have been used for any purpose other than specified in the contract and in the case of which the prior approval by the Ministry for the deviation from the purpose had not been obtained in accordance with the procedure prescribed by law.
- Ensure that before admission of students to government-funded places all basic documents as required by law will be submitted to the school.

- Develop and enforce more elaborate rules for the payment of capitation fees for boarding students, by imposing on a local authority (a school) an obligation to report a smaller number of students. Determine what are the occasions when a student is removed from the list of boarding students and the payment of capitation fees is discontinued.
- Review and decide the claim for the recovery of capitation fees from local authorities, if the number of boarding students is below a prescribed level.
- Upon allocation of resources for investment, request information from local authorities about the organisation of public procurement and upon receipt of reports, verify that such procurements have really been carried out.

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In her reply, the **Minister of Education and Research** communicated her concurrence, to a great extent, with the findings and recommendations of the SAO. Since the problems highlighted in the audit report concern different government agencies and levels, the Ministry has planned to set up a working group to tackle the said issues. The Ministry has also intended to prepare amendments to the Basic Schools and Upper Secondary Schools Act which would provide for a legal basis for the establishment of the procedure for the allocation and payment of earmarked funds to student boarding houses. Contracts with local authorities are subject to amendment and the control over reporting arising from contractual obligations is to be improved.

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