Usage of funds allocated for wages of teachers and other education staff in local authorities

Why does the salary administration of municipal schools not ensure payment of comparable salaries?

National Audit Office's report to the Riigikogu, Tallinn, 19 September 2007

Summary of audit results

The National Audit Office audited the activities of local authorities and municipal schools in using funds allocated for remuneration. The goal of the audit was to assess whether the legislation regulating the salary administration of teachers is understood by local authorities in the same way, whether there are any inconsistencies with other legislation and whether it can be adhered to. Also, the goal of the audit was to assess if local authorities fulfil the requirements arising from law regarding payment of the salaries of teachers and other education staff, and to explain the reasons for failing to fulfil the requirements.

36 schools of 15 cities and rural municipalities were involved in the audit. The audited period was 2006.

Development of education has been declared one of the priorities of development of the state. In 2006 local authorities spent EEK 4.67 billion on management of municipal schools. Some of these maintenance costs or the remuneration of teachers of municipal and private schools, social tax and the cost of acquisition of textbooks were covered from EEK 2.14 billion allocated as support from the state budget (equalisation fund).

The National Audit Office finds that the quality of giving competitive education and the quality of education is affected by the competence and motivation of teachers the most. In the General Education System Development Plan 2007-2013 it is admitted that although the pay level of teachers has constantly increased in recent years, the teachers are not pleased with their salary or work conditions. There is no overview of the workload or duties of teachers and a respective systematic solution is yet to be developed according to the Development Plan.

On the basis of the audit the National Audit Office came to the following conclusions:

The usage of support allocated from the equalisation fund as education expenses to pay salaries has not been transparent.

- The purpose of use of the money allocated from the equalisation fund as education expenses is not universally clear for local authorities, because legislation regulating remuneration of teachers is inaccurate and/or controversial.
- Local authorities, having determined the amount to be spent on salaries from the support funds, have not used the entire amount for payment of remuneration to teachers, because sometimes remuneration and bonuses not relating to work have been paid from the funds allocated for education expenses, not from municipal funds.
- In schools the usage and accounting of the state support to be spent on salaries cannot often be distinguished from other funds to be spent on salaries. In these events it was difficult to estimate what jobs were financed to the extent of the portion of the support allocated for salaries.
- The distribution of the balance of the additional education funds prepared by the Ministry of Education and Research and the Ministry of Finance at the end of 2006 was delayed and caused confusion among local authorities and, in many instances, illegal use of the funds. Comparable salaries have not been paid to teachers with the same qualifications based on jobs.
- The duties of teachers have not been specified similarly, as a result of which it was impossible to assess whether teachers working in the same position are paid comparable salaries.
- The competence of rural municipality or city councils to establish the bases for remuneration of teachers have not been established accurately in legislation, as a result of which undue restrictions had been imposed on payment of salaries in some local authorities.
- Teachers whose grade was 'educator' received a salary that equalled at least the national minimum salary of a teacher, but the salary level of educators paid from the funds of the local authorities was often lower than that of teachers..

Replies of the Minister of Education and Research, the Minister of Finance and the audited:

The Minister of Education and Research considered it reasonable to revise the legislation containing the term 'educator' and agreed to initiate a legislative amendment aimed at clarifying the competence of the councils of local authorities in establishment of the bases for remuneration of educators. The Minister agreed that the usage of the job titles of the staff and the lack of more detailed description of the duties is problematic from the point of view of the implementer and may lead to formal fulfilment of the requirements. The Minister promised that a discussion with associations of teachers will be held for the purpose of discussion of the system of professional standards. The Minister agreed that it is necessary to prepare instructions, which support education institutions upon preparation of contracts of employment and job descriptions and upon calculation of working time and overtime work. The Minister also agreed with the proposal to create possibilities in the Estonian Information System for Education to send an automatic error message to the respondent, specifying that the information system is under constant development for the purpose of prevention of entering incorrect data. The Minister did not consider it wise to develop tariff software based on the data which serves as the basis for calculation of the remuneration of educators. The Minister agreed with the proposal to analyse the duties placed upon municipal schools and thereby found it important to simplify the provision of the support functions (incl. purchasing) supporting the main function where it is necessary and possible, making certain that the liability of the school manager would not become vague in coordinating the entire teaching and education process. The Minister found that local authorities must formulate the duties of the foundations established for the purpose of organisation of the economic activities and teaching and education work of schools, and organise the management of the foundations based on relevant legislation.

The Minister of Finance agreed with the proposal that the principle of use of the salaries support included in the education expenses allocations of the equalisation fund needs to be specified by positions in legislation. The Minister agreed that the requirements established with regard to local authorities by law as for using allocations from the state budget not intended for a specific purpose shall be explained to local authorities.

Twelve local authorities of **the audited local authorities** submitted their position regarding the observations, assessments and proposals made in the report. The positions of the council and government of the local authority were submitted by the rural municipalities of Põltsamaa, Kuusalu, Muhu, Rõuge, Tapa, Tahkuranna, Martna, Rõngu and Nõva. The position of the government of the local authority was submitted by the cities of Haapsalu, Kuressaare and Pärnu.

Fifteen schools of **the audited municipal schools** submitted their position regarding the observations, assessments and proposals made in the report. As for the audited schools who replied to the draft audit report, the Russian Comprehensive School of Tapa, the Kilingi-Nõmme Comprehensive School, the Martna Basic School and the Esku-Kamari School did not want to submit their comments.

Most of the local authorities promised to take the proposals of the National Audit Office into account in the future work. The local authorities found that the audit of the National Audit Office was very necessary in order to get an overview of the usage of money allocated for education expenses in local authorities, the proposals of the report are relevant and might harmonise the practice of local authorities in using the funds allocated by the state. The local authorities agreed that deficiencies start with the acts and regulations and ministerial legislation regulating the area of education.

The National Audit Office would like to thank the Association of Municipalities of Estonia for relevant observations.

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