

# USE OF APPROPRIATIONS FOR EDUCATION

15 May 2024

No. VAE-4

## SUMMARY

### Relevance of the audit

By Resolution No XIV-2378 of 14 December 2023, the Seimas assigned the National Audit Office to carry out an audit: to assess whether the obligations of the participants of the education system regarding the remuneration of teachers and other pedagogical staff and the rational use of other appropriations have been properly implemented. It is argued that it is difficult to attract people to work as teachers and educators, although the special targeted grant from the state budget to municipalities to finance educational needs, which is used to pay salaries of teachers and other pedagogical staff, has increased by 50.6 % over the last three years.

It is stated that the appropriations allocated to education in the state budget are already above the European Union average, however, municipal institutions and the education community raise questions about insufficient funding in various fields of education, and teacher and educator strikes are organized.

### Objective and scope of the audit

The objective of the audit is to assess whether the commitments made by the actors in the education system regarding the remuneration of teachers and other pedagogical staff are properly implemented and whether the grant for education needs is being rationally used.

Key audit questions – whether the institutions have adopted and are implementing plans for the management of the network of educational establishments that meet the established requirements; whether educational establishments use the salary fund in such a way as to fulfil the State's salary obligations; whether training money in the form of a special targeted grant from the State budget is used for the purpose for which it was intended.

The audited entity is the Ministry of Education, Sport and Science as it formulates the state policy in the field of education, organises, coordinates and controls its implementation.

Audited period: 2022-2023, data from previous years and 2024 may be used to assess developments.

During the audit, we assessed state and municipal schools and did not assess non-state (private) schools. When analysing the use of the salary fund, we did not assess the salaries of school leaders.

The audit was carried out in accordance with international standards of supreme audit institutions. The scope of the audit and the methods used are described in more detail in Annex 1, 'Audit Scope and Methods' (page 42).

## Main audit results

### 1. Network of schools of general education

Municipalities have adopted plans for restructuring the school network, the school network is being reorganized, and the number of general education schools has been reduced from 971 to 917 in 2020-2023. The school network is not yet rational: on 1 September 2023, there was still one gymnasium without a minimum of 60 pupils and 30 schools with up to 100 pupils. In 11 municipalities, 30 general education schools had classes with less than the minimum number of 8 pupils, with the largest number of such classes (52 out of 63) in Vilnius, Šalčininkai and Trakai municipalities, which are exempted from the obligation of contributing to the maintenance of these classes in their own budgets by legislation. Municipalities (except for the exceptions mentioned above) have to finance the incomplete classes with their own budget, but the Ministry has no data on whether they contribute the required amount to the maintenance of these classes and states that it has no duty or right to ascertain this. According to the auditors, one municipality did not contribute at all, and four others contributed between 7 % and 61 % of the required amount. In order to receive state budget funding schools with low enrolment do not follow the recommendation on merging classes and merge non-related primary classes, temporarily transfer pupils to another municipality's school rolls without changing their physical location. We found a case of merging lessons in grades 5 and above without merging classes, even though the legislation does not provide for such mergers. In 2023-2024, 11% of general education schools (98 out of 867, in 11 municipalities) have classes larger than allowed (24 pupils in primary and 30 pupils in senior classes). This problem is most relevant for the municipalities of the largest cities (Vilnius, Kaunas). In the case of a poorly organized school network, too small or too large classes, failure of municipalities to fund small classes at the required level, or the absence of an obligation to fund them due to exemptions, it is difficult to ensure quality education for pupils and an optimal workload for teachers (Section 1, pages 10-17).

## 2. Use of the Salary Fund for the implementation of the State's obligations regarding teacher salaries

As part of the state's commitment to average teacher salary and with additional funding, the aim was to increase it by 13 % in 2023 and by 10 % from January 2024. The average teacher salary, as published by the State Data Agency increased by 10.7 % in 2023, while the country's average salary increased by 12.6 %. As a result, the ratio of the average teacher salary to the country's average salary stood at 112.2 % in 2023, compared to the target of 122 % set out in the 2023-2025 Strategic Action Plan. If the average teacher salary at the end of 2024 were to increase at the same rate as the increase in salary funding (21%), at the end of the year, it would stand at 124.9%-125% of the country's average salary projected in the latest economic development scenario of 18 March 2024, but would be below 130 %. (Section 2, pages 17-31).

Only teacher experts, who account for 3 % of all teachers, in 2023 could have a basic salary calculated according to legislation (with a maximum increase of 25 %) higher than the target average teacher salary (122 % of the country's average salary: EUR 2 457). In the sample schools, more than 90 % of teacher salaries fell within the range between the lowest and the highest salary calculated according to the legislation. Thus, the salaries of full-time teachers may be higher only due to substitution payments, lump sums, and other irregular bonuses (Section 2, pp. 17-31).

In the audited schools, the calculated amount for salaries of teachers and other pedagogical staff increased by 13.1 % between September and December 2023, and by 11.5 % in January 2024 compared to the corresponding period of the previous year, i.e. more than the increase in the basic salary (13 % and 10 %). In 72 % of the audited schools, the average salary of teachers in Q4 2023 was below the publicly available average teacher salary for the relevant period, and the salaries of 32 % of teachers in 2023 were below the country's average salary (68 % or higher). With the country's average salary rising faster than projected, the ratio of teacher salaries to the country's average salary is below the target of 122 %. In 2023 (salaries of 81 % of the teachers in the audited schools were below this level in 2023) and an increase of 10 % from 1 September 2024, as provided for in the collective agreement, could lead to a failure of the state's obligation to teachers of the ratio of 130 % to the country's average salary in 2024. It is important that the State, when setting salary commitments for teachers, properly assesses the feasibility of their implementation and ensures the continuity of compliance with them in a changing economic or political environment (Section 2, pages 17-31).

The main source of salary financing for teachers and other pedagogical staff in general education schools is the funds of the special targeted grant of the state budget for educational needs – about 93 %, and municipal budget funds – 5.2 %. The municipalities covered from 0.1 % to 10.4 % of the total salary costs of teachers in municipalities with their own funds, one municipality stated that it did not contribute to it with its own funds. As a result of these differences, teachers of the same qualifications and seniority in different schools may receive different salaries, as some municipalities allocate additional funds to salaries (additions, premiums, bonuses, etc.) while others do not (Section 2, pages 17-31).

### 3. Use of training money

The Ministry calculates the larger part of the amount of teaching funds for each educational establishment, but about a quarter (24.2% in 2023, 23.9% in 2022) of these funds have to be distributed by the municipalities according to their own procedures. However, 58 municipalities did not have criteria for the distribution of education funds, 32 did not regulate all the possible educational needs for which municipalities allocate funds, and 17 did not set deadlines for the redistribution of education funds between educational establishments. While municipalities allocated all of their share of training funds to educational establishments, 54 of them were allocated funds in a single amount, with only salaries being excluded. Unused grant funds were returned to the budget by the municipalities: in 2022, 28 municipalities returned EUR 2.9 million and in 2023, 24 municipalities returned EUR 4.1 million, e.g. due to sick leave, vacant posts, non-payment of salaries during strikes (Section 3, pages 31-41).

72-74 % of training funds are allocated to educational institutions for the implementation of the educational plan and are used for the salaries of teachers and pedagogical staff: EUR 877.2 million in 2022, EUR 919.0 million in 2023, 100.4 % and 100.3 % respectively. In 2022 and 2023, the percentage of use of other educational needs, from which wages are paid, ranged from 94.4 to 116.4 from the amount calculated by the Ministry for each educational need – the funds not used for some educational needs are used for other needs. Education funds can be distributed only to educational establishments, no exceptions are foreseen, but Alytus District Municipality transferred training funds meant for the school library staff to Alytus District Public Library (EUR 124.6 thousand was used in 2022-2023), which also performs the functions of municipal school libraries in addition to its functions. Although this is intended to rationalize the functions of libraries in small schools by allowing the public library to carry out school library services in addition to the public library services, it may result in training funds being used to finance non-educational functions (Section 3, pages 31 to 41).

On average, 88.7% of the amount calculated for improving the qualifications of teachers and other people involved in education was spent in 2022 and 92.7% in 2023. For textbooks and other teaching aids, the average spending in 2022 was 171.6% and in 2023 160.8% of the amount calculated for this purpose. In 36 of the 102 schools audited, we found cases where EUR 110,8 thousand of this appropriation was used to purchase goods and services not attributable to textbooks and other teaching materials: furniture, inventory of premises, repairs and other utilities, transport, security services, etc. (Section 3, pages 31 to 41).

More than EUR 1 billion of training funds are allocated and used annually and the funds used are settled according to the established procedure, however, in educational institutions accounting is kept according to the economic classification of expenditure, but not according to educational needs, therefore municipalities and educational institutions in principle are unable to ensure the implementation of restrictions on the redistribution of funds and provide reasonable data on the payment for the use of funds according to educational needs. The Ministry does not prepare an annual summary analysis of the use of these funds. Given the above, regarding the accounting and reallocation of training funds according to educational needs and the short deadline for audit procedures, the auditors did not have the opportunity to ascertain the reasonableness of reallocating training funds between educational needs and their use (Section 3, pages 31-41).

In 2022 and 2023, the Ministry adopted 9 criteria to assess the achievement of the objective of the grant, i.e. rational use of available resources, to ensure the quality, inclusion and accessibility of education in municipal schools. The four criteria were designed to demonstrate the feasibility of planning the general school network in the municipality and the availability of quality education for pupils. The worst indicators were: for the minimum number of children in a classroom - in Šalčininkai, Trakai and Vilnius municipalities, for the combined classes of grades 1-8 - in Biržai, Kupiškis and Molėtai municipalities, and for the too many pupils in a classroom - in Vilnius and Kaunas municipalities. Two of the grant criteria relate to pupils' achievements and the quality of school performance: the municipalities with the lowest values over the last three school years were Akmenė, Alytus and Zarasai. The Ministry did not set specific target values for the grant criteria for the municipalities (except for 2 indicators), did not carry out an analysis of their achievement and only monitored the indicators (Section 3, pages 31-41).

## Changes during the audit

The State's commitment to teachers to reach a ratio of the average teacher salary of 130% to the country's average salary by the end of 2024 is set out in the Implementation Plan for the 18th Government Programme, other strategic planning documents and the collective agreement of the education and science sector. The parties also agreed to develop proposals by 1 May 2024 for improving the indicator on the ratio between teachers' salaries and the country's average salary. During the audit, the Ministry stated that the trade unions have submitted proposals, the Ministry is carrying out an analysis of their impact on public finances, and negotiations have started on improving the indicator. It is important that the improvement of the indicator takes into account the feasibility of achieving it in a changing environment.

We do not make recommendations in the audit report, we submit proposals in writing to the Ministry of Education, Science and Sport on the matters identified during the audit.