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Transparency in education in Eastern Europe

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These four studies were prepared under the supervision of Muriel Poisson, programme specialist at the International Institute for Educational Planning (IIEP), Indra Dedze, former programme leader for the Open Society Institute (OSI), and Jacques Hallak, international consultant.

Presentation of the series

Several studies conducted during the last fifteen years have clearly emphasized the negative impact of corruption on the economic, social and political development of countries, because it increases transaction costs, reduces the efficiency of public services, distorts the decision-making process and undermines social values. These studies have also shown a strong correlation between corruption and poverty: statistical regressions suggest that an increase of US\$4,400 in the per capita income of a country will improve its ranking on the index of corruption (international scale) by two points (Ades et al, 1995). Moreover, it has been observed that corruption tends to contribute to the reinforcement of inequities by placing a disproportionate economic burden on the poor and limiting their access to public services.

As a consequence, fighting corruption has become a major concern for policymakers and actors involved in development. In view of the decrease in the international flows of aid and the more stringent conditions for the provision of aid – due to growing pressure on public resources within donor countries and the pressure exerted by tax payers on governments to increase transparency and accountability in resource management – it is regarded today as a major priority in the agenda of countries and of international agencies of development co-operation. The Drafting Committee of the World Education Forum has expressed this concern in the following terms: “Corruption is a major drain on the effective use of resources for education and should be drastically curbed”.¹

A quick review of the literature shows that a number of attempts have already been made to tackle the issue of corruption both globally and sectorally. In the social sector, for example, several studies have been conducted on corruption in the provision of health care services. However, it appears the education sector has not been given proper attention by national education authorities and donors, despite the many grounds for assigning a particular priority to the challenge of combating corruption in education:

- No public sector reform aiming at improving governance and limiting corruption phenomena can obtain significant results as long as the case of education has not been properly addressed – given the importance of the education sector, which is, in most countries, the first or the second largest public sector in both human and financial terms.
- Any attempts to improve the functioning of the education sector in order to increase access to quality education for all cannot prove successful if problems of corruption, which have severe implications for both efficiency in the use of resources and quality of education and school performance, are not being properly dealt with.
- Lack of integrity and unethical behaviour within the education sector is inconsistent with one of the main purposes of education – that is, to produce ‘good citizens’, respectful of the law, of human rights and of fairness; it is also incompatible with any strategy that considers education as one of the principal means of fighting corruption.

In this context, the IIEP launched a new research project ‘Ethics and Corruption in Education’ within the framework of its Medium-Term Plan for 2002-2007. Corruption is defined as the systematic use of public office for private benefit that results in a reduction in the quality or availability of

1. UNESCO. 2000. Dakar Framework for Action. Education for All: meeting our collective commitments. Adopted by the World Education Forum, Dakar, Senegal, 26-28 April 2000. Extended commentary on the Dakar Action Plan (Par. 46).

public goods and services. The main objective of this project is to improve decision-making and the management of educational systems by integrating governance and corruption concerns in methodologies of planning and administration of education. More specifically, it seeks to develop methodological approaches for studying and addressing the issue of corruption in education and to collect and share information on the best approaches for promoting transparency, accountability and integrity in the management of educational systems, in both developing and industrialized countries.

The project includes works on topics of relevance such as teacher behaviour, school financing, textbooks production and distribution and academic fraud. It also includes monographs on success stories in improving management and governance, as well as case studies that facilitate the development of methodologies for analysing transparency and integrity in education management.²

Within this framework, the IIEP and the Open Society Institute (OSI) asked experts to present cases in Lithuania, Slovakia, Ukraine and Bulgaria in which the development of targeted strategies to improve transparency and accountability in the management of education resources and promote ethics proved to be successful:

- *Arūnas Plikšnys* examines how the 'student basket' and the new system of teacher remuneration in Lithuania have helped to reduce risks of leakage of funds.
- *Sylvia Kopnicka* describes the university audit system in Slovakia and how it can prevent corruption in the education sector.
- *Liliya Hrynevych* analyses in detail the reform of the secondary school graduation examinations in Ukraine and its impact on equity and transparency issues.
- *Constantine Palicarsky* presents the methodology of ethics training and anti-corruption education in Bulgaria.

The IIEP is very grateful to the authors for their valuable insights and contributions and would like to thank them accordingly.

Jacques Hallak and Muriel Poisson

2. An information platform, called ETICO, has also been created within the framework of the project. It is available at: www.iiep.unesco.org/en/research/highlights/ethics-corruption/in-brief.html

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List of abbreviations

ACC	Anti-Corruption Commission
CSD	Centre for the Study of Democracy
EIAP	European Institute of Public Administration
EUROSA	European Organisation of the Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
IPAEI	Institute for Public Administration and European Integration
IRF	International Renaissance Foundation
ISCED	International Classification of Education
LOA	levels of accreditation
LTL	Lithuanian Litas
MoES	Ministry of Education and Science
MPAAR	Ministry of Public Administration and Administrative Reform
NAO	National Audit Office
NGO	non-governmental organization
NIJ	National Institute for Justice
OECD	Organisation for Economic Co-operation and Development
OGI	Open Government Initiative of USAID
PC	personal computer
PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment
PIT	personal income tax
PIFCA	Public Internal Financial Control Agency
PMPC	Psychological Medical Pedagogical Consultation
PSERS	Public Sector Ethics Resource Series
SAI	Supreme Audit Institution
SAO	Supreme Audit Office
SK	Slovak Koruna
SIGMA	Support for Improvement of Governance and Management
TI	Transparency International
TIMSS	Trends in International Mathematics and Science Study
TTC	Testing Technologies Centre

List of abbreviations

UAH Ukrainian Hryvnia

USAID United States Agency for International Development

UNDP United Nations Development Programme

VAT value added tax

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Introduction

Both the UNESCO International Institute for Educational Planning (IIEP) and the Open Society Institute (OSI) have a long history of promoting transparency and ethics issues in society. This booklet focuses on transparency in education in four European countries: Lithuania, Slovakia, Ukraine, and Bulgaria. More specifically, it deals with practical steps that can be taken to improve the education system in the respective countries.

The political changes in the former communist countries and the speed with which they occurred did not generate in their societies a common understanding of what actions and behaviour are and are not acceptable. In the past, in order to survive, people had bent rules and regulations, and hence the system of values had become distorted. Corrupt thinking patterns are still present in parts of these societies today and are slowing down the process of rebuilding democracy. Education could become the key element for combating corrupt behaviour and promoting integrity and ethics. Possible strategies include establishing clear and transparent systems of budgeting, auditing, and examination and developing courses that raise awareness on corrupt practices and create a common understanding of what the values of the society are. Some of the best practices are described in this book.

The first case study regards the development of the 'student basket' and the reform of the system of teacher remuneration in Lithuania. In most post-communist countries, the system of teacher remuneration is a legacy of the former system. Teacher salaries are calculated on the basis of the number of hours spent on classroom teaching. Teachers are therefore underpaid. What is more, their workload is often more than that of one teacher. At the same time, teacher salaries make up the largest share of the budget devoted to education. To resolve this problem, the Ministry of Education and Science (MoES) in Lithuania has developed a system of teacher remuneration based on a 36-hour working week, with 6 extra hours for preparation, evaluation and additional tasks involving parents, students and other teachers. This reform was implemented during the introduction of the student basket. As a result, the education budget in the country is now spent more efficiently.

The second case study describes the university audit system in Slovakia and the ways it can prevent corruption in the education sector. In post-communist countries, private universities have been set up in addition to the existing state and private universities. Paying fees in order to study has become common practice. In addition, higher education establishments have been given more autonomy, including with respect to decisions concerning the whole or part of their budgets. There is a need therefore for the establishment of proper mechanisms for internal and external control and accountability. Slovakia has set up the Supreme Audit Office (SAO) for this purpose. Audits are carried out by this body in accordance with three general standards: qualifications, independence and due professional care. When conducting university audits, the SAO focuses mainly on the use of the state budget means, adherence to the procedures for public procurement, management of university property, the accuracy of bookkeeping, and precision in classifying employees into salary classes and salary levels. The implementation of external audits in Slovakia has helped to reduce opportunities for corruption in the country. An effective and qualitative university internal control system is nevertheless still an important concern.

The third case study regards the reform of the secondary school graduation examinations in Ukraine. During the Soviet era, in all former Soviet Union countries, students had to pass six or

seven oral and written examinations in order to graduate, and these examinations were marked by their schools. Those who wanted to enter university had to pass, in addition, three or four entrance examinations that were designed and graded by the faculty of the respective university. This system left a great deal of scope for subjective grading and bribery. It also prevented students from different regions and social groups from having access to higher education. In Ukraine, an independent institution for external student achievement assessment has been created in order to provide all students with equal access to quality higher education. This institution is responsible for developing standardized tests and unified procedures for processing assessment results. Although it is not yet in full operation, it has already been concluded that external testing is vital for an objective evaluation of student knowledge in Ukraine.

The fourth case study presents the methodology of ethics training and anti-corruption education in Bulgaria. The activities envisaged include the organization of public awareness-raising campaigns, special training on all education levels (primary, secondary and university) and ethics training for public servants. Their main goals are to raise awareness about the dangers of corruption and to develop a common set of values. Anti-corruption training in Bulgaria was initiated by non-governmental organisations (NGOs) and then later supported by government institutions, agencies and local authorities. A conclusion has already been reached that ethics training has unique strengths as an anti-corruption approach: because at first sight, it does not seem to be a very powerful tool to fight corruption, it is more likely to be supported by stakeholders who normally would not engage in anti-corruption activities. Training in actual fact creates a common understanding of shared values and norms and therefore fights corruption from its roots.

Although this book only presents four initiatives that are at present promoting transparency in post-communist countries, there are many more in operation. State institutions, NGOs and individuals have indeed become much more aware of the dangers of the lack of transparency and accountability and also have more courage to fight corruption and bribery in the education sector.

This book will be useful for policymakers and practitioners who would like to improve transparency and accountability in the educational system of their country.

Indra Dedze, Muriel Poisson and Jacques Hallak

1 Education funding and payment system reforms in Lithuania

Arūnas Plikšnys

Lithuania is a European country on the eastern edge of the Baltic Sea (see *Appendix 1*). After independence, its education system continued to function in accordance with its Soviet heritage. The distribution of finance in this system was inefficient, and therefore it was necessary to devise a new creative means to improve it. This case study describes two reforms that were developed in this context: the reform of the funding system for schools and the implementation of a new payment system for teachers. These two reforms aimed at setting clear and objective criteria for allocating resources, improving transparency by making sure these criteria were known by the whole education community and improving quality of education with a more efficient use of resources. The two reforms have been gradually implemented; the reform of the payment system for teachers is still under implementation.

1.1 The development of the funding system

The funding system for state schools in Lithuania until the year 2000 appeared to be inefficient. The government decided to investigate the situation and to carefully implement a new system. This chapter describes the preconditions and drawbacks of the old funding system, the objectives of the new system and the funding principles.

Why Lithuania started the funding system reform

In 2000, Lithuania started preparations for changing its general education funding system. At that time all of its 60 municipalities were responsible for financing general education schools, as they were the founders of those schools and, according to the Local Municipality Law, they were required to approve school budgets. School budgets comprised the cost of teachers' salaries, textbooks, training aids, the training of teachers in-service, building maintenance, electricity, heating and the salaries of technical personnel. Each year's budget depended upon previous expenditure (as a model) and the 'goodwill' of municipal politicians and municipal administrative staff.

The entire municipal budget depended upon the National Budget Law calculation, which determined each municipality's percentage of collected personal income tax (PIT) and value added tax (VAT). Some municipalities, of course, collected those taxes more successfully than others. Consequently, some schools had enough money to fund their entire education process, while others did not. About 60 per cent of municipal budgets on average were allocated to general education schools. Some of the municipalities tried to finance other needs from the education budget and put pressure on schools to save money from the teaching process. Some schools therefore decided to cut additional hours that would otherwise have been allocated for student activities and not to implement a teaching plan. A teaching plan for each school was mandated by the Minister of Education and Science, but municipalities were unwilling to finance it in its entirety.

At this time, the school financing system was decentralized, allowing municipalities to spend their money as they wished. However, in many areas, education received less funding than the absolute minimum required to implement teaching plans. In 2001, teachers organized strikes in 34 municipalities because their salaries were one or two months late. The municipalities could

not ensure good education quality in each school, and the Ministry of Education and Science could not guarantee equity and equal opportunities. At the state government level, it was decided to form a working group to formulate a new funding system. The group included specialists from the government administration, the Ministry of Finance, the Ministry of Education and Science (MoES), the Ministry of Social Welfare and Labour, representatives of the Association of Local Municipalities, heads of municipal divisions of education, school directors and experts from the Free Market Institute. The task of this group was to analyse the current education funding system, to study other countries' experience in funding reforms and to make recommendations on how the problems could be solved.

After one year, the group presented its conclusions. The government decided to change the education funding system as of 2002 and to oblige the Ministry of Finance and the MoES in order to create a 'student basket' methodology and new principles of school funding. The student basket corresponds to the annual amount of resources to be spent for teaching one student (including teachers' salaries, teaching materials, school management, pedagogical assistance and social help). In 2001 the government approved two resolutions: the first, on 27 June 2001, was Resolution No. 785 "regarding the implementation of measures to reform the financing of schools of general education"; the second, on 14 December 2001, was Resolution No. 1520 "regarding the approval of the provisions for the financial reform in general education".

Main flaws of the earlier funding arrangement

In 2001, the working group started from an analysis of the general education funding system then in place. They collected a large amount of statistical data from the state and from counties and municipalities and calculated how much each municipality spent on the implementation of a teaching plan in each type of school – primary, basic, secondary, gymnasium and special school, and adult education centre – and in each type of community where schools were located. The working group determined that there were eight main flaws with the funding arrangement then in practice:

1. Education spending varied greatly between different regions of the country and between municipalities, although the education standards for pupil achievement were the same.
2. The network (geographic distribution) of schools for general education was not at its optimum, and therefore funds were used inefficiently.
3. The largest share of funding was increasingly being spent on the daily operation of schools and on the salaries for teachers, while the share allocated to the modernization of the teaching process and for the purchase of teaching materials was declining every year.
4. Because of the school network (mapping) reform, the issue of student transportation had grown in importance. The number of students living a long way from school had increased. Parents were, however, afraid to send their children to schools further from their homes, which hindered efforts to consolidate small schools in order to make education funding more efficient and to free up more funds for education improvement. In addition, in cases where a student lived in one municipality but attended a school in another, the two municipalities could not agree on who should pay for the transportation of the student in question.
5. When distributing funds among schools of general education for the implementation of teaching plans for a particular academic year, money was allocated per number of class sets, not per number of students. This led to the funding of a large number of unnecessarily small classes and limited class vacancies. Schools were not motivated to seek new enrolment, because if they accepted new students into the existing sets of classes, they usually did not

receive additional funding for the education of these students. Municipalities tried to limit the formation of new sets of classes because even if only a few students were added, funding had to be allocated as for a full class set.

6. If a student transferred from one school to another – especially when the two schools were subordinate to different founders – the budget of the new school was not supplemented to cover the real costs of educating the new student. This caused dissatisfaction among schools that were in great demand, particularly those in the cities, and hindered the free movement of students among schools. Urban municipalities incurred losses as a consequence.
7. Schools had neither independence in planning their spending, nor incentives to use the funds allocated efficiently and economically.
8. Non-governmental (private) schools of general education received less funding from the state and municipal budgets for providing education at the national standard than state and municipal general-education schools of the same kind.

All the above drawbacks called for change in order to create a more efficient funding system.

Objectives of the funding system

The working group was set up to develop the main objectives that the funding system needed to achieve. It defined eight key goals for the general education funding reform areas. They were as follows:

1. Through more efficient use of education funds, improve the quality of education services and provide the public with access to education services that would meet their needs.
2. Optimize the network (geographic distribution) of general education schools and ensure equal opportunities for rural and urban students with respect to access to quality education.
3. Create conditions for the network of non-governmental (private) general education schools to develop.
4. Reduce the number of children who do not attend school.
5. Strengthen the financial independence of schools.
6. Create a transparent education funding arrangement.
7. Provide students and their parents with a choice of schools and, in addition, ensure that the necessary conditions exist for them to exercise this choice.
8. When shaping education policy, increase the responsibility of education managers at all levels so as to ensure that the implementation of all decisions is supported with the necessary financial resources.

In order to achieve the above goals, the working group developed the main principles on which the new funding system was to be based: these are detailed below.

Principles of funding

The general principles of the new general education funding system are described using a particular terminology – for example, ‘student basket’, ‘reference student’ (weighted student), ‘school budget’, ‘school environment funds’, and so on. The principles define how all education budgets (school, municipality and state) can be set up, how private schools will be funded, and the respective responsibilities and duties of schools, municipalities and the state. Later these principles were included in the language of the new Education Law (2003), the National and State Budget Law (2002), the Local Municipality Law (2004) and other government acts. The principles of funding were described as follows:

- Schools of general education may have the status of a budget-funded or non-profit institution.
- The budget of general education schools is to be made up of the student basket and other funds, such as funds for maintaining the school environment, funds specifically earmarked for programmes and projects and funds received from sponsors. The estimated school budget is to be adjusted on 1 October each year, taking into account the enrolment situation on 1 September of that same year.
- Every year, the state will fix the amount of the basic funding for the teaching process of a 'standard' student (that is, a student in normal health, attending Grade 8 in an urban school). This amount of funding will be referred to as the 'student basket'.
- The sum of the total amount of student baskets within the annual budget of a school will depend on the calculated number of reference students in that school.
- The number of reference students in a given school will be calculated by taking the actual number of students attending that school and using additional appropriate coefficients – for instance, coefficients calculated for disabled students, for students attending a different type of a school, for an urban versus a rural school, and so on.
- The funds from the student baskets will be used to pay for executing the teaching plan (in essence, teacher salaries), as well as teachers' in-service training, teaching materials and equipment, school management, school library and pedagogical psychological assistance.
- The number of reference students in a given school and the amount of the student basket will be calculated every year in compliance with the student basket methodology approved by the MoES.
- A student basket fund will be allocated from state or municipal budgets for every general education student, depending upon the founder of the school that the student attends. Student baskets for students in non-governmental (private) institutions of education will be allocated from the budget of the municipality where the school is located. The founder of a school of general education may allocate additional funds. A student who transfers from one school of general education to another will be entitled to the same student basket fixed by the state for him/her.
- The founder of a school will define the procedure for funding the school environment. The funds allocated for the school environment will be spent on heating, salaries for technical staff, social welfare assistance to students, building maintenance and the transportation of students. The funds for the school environment of non-governmental (private) schools may be allocated from municipal budgets or funded from other sources.
- The state will finance education reform programmes centrally initiated (by the state).
- The state and the school founders will finance investment projects and other projects, such as the construction or renovation of buildings and large-scale procurement.
- The founder of a school will fix the number of teaching staff positions and establish the procedure for their remuneration, in compliance with the work remuneration procedure fixed by the state and within the limits of the funds allocated for the student basket.
- Upon their founder's consent, schools will decide how to use the funds allocated for the school environment. They will determine independently how to use the funds donated by sponsors and received from other sources. They may use any remaining school environment funds to additionally finance the teaching process.

Information for parents and the public

It is crucial to inform parents and the public about the general education funding reform, the size of the student basket, how much money will be spent on textbooks, training aids and teachers

in-service training, as well as how savings from the allotted student basket are to be used. As a result of a government act of law, information can be found about the requirement for all general education schools. On 1st May every year, the founder of a general education school shall publish an information booklet (according to the form approved by the MoES) for school communities, parents and the public. It shall provide information on the activities of each school (curricula, goals, strategy, achievement scores, statistics on students and staff, planning and the utilization of the budget).

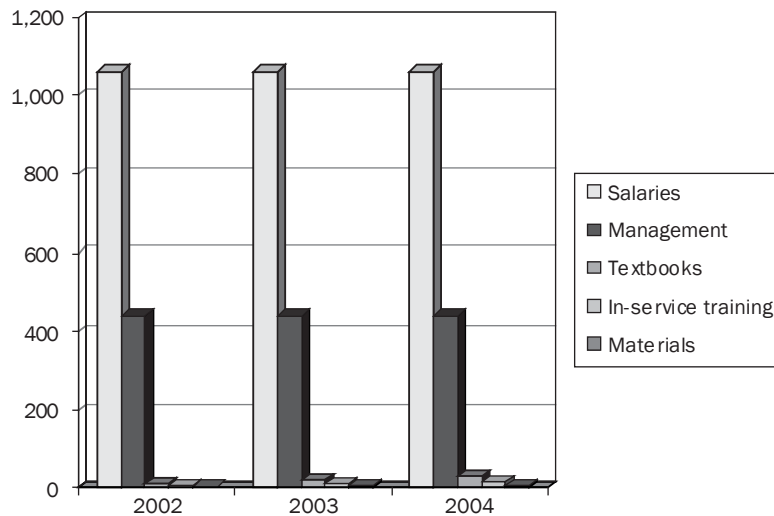
Introductory phases

The working group calculated the student basket for the first project in 2002 as 1,555 Lithuanian Litas (LTL).³ Compared with the 2001 fiscal year, the state budget had to allocate an additional LTL 90 million for its implementation. The Ministry of Finance could find only LTL 60 million. It therefore proposed reaching the calculated student basket over a three-year implementation period. Each year, expenditures would increase on textbooks, training aids and teachers' in-service training in the student basket. The government approved five phases for the introduction of this methodology: three for filling up the student basket and two more recently in 2004. It was decided that the student basket should be introduced in five phases:

- *Phase I:* In 2002, one third of the necessary funds for textbooks, teachers' professional development (in-service) and audiovisual and technical teaching equipment was to be covered using provisions from the student basket. It was mandated that the founder had to allocate student baskets to individual general education schools by determining the number of reference students in those schools. The founder was allowed to reallocate (within the general education sector) up to 15 per cent of the funds in the student basket.
- *Phase II:* In 2002, during the process of drafting the Law on Financial Indicators of the State and Municipal Budgets for 2003, the size of the student basket was determined on the basis of a proposal from the MoES. The necessary funds for financing the teaching process at state, municipal and non-governmental (private) schools were allocated through the state budget. Two thirds of the necessary funds for textbooks, the professional development of teacher (in-service) and audiovisual and technical teaching equipment were covered by provision from the student basket, while the founder was allowed to reallocate (within the general education sector) up to 10 per cent of the allocated funds.
- *Phase III:* For the year 2004, the size of the student basket was determined and the funding for the founders of schools was allocated in the same manner as in Phase II. All the necessary funds for textbooks, the professional development of teachers and audiovisual and technical teaching equipment were covered from the student basket. The founder is allowed to reallocate up to 10 per cent of the allocated funds to schools.
- *Phase IV:* For the year 2005, the size of the student basket was determined and the funding for the founders of schools was allocated in the same manner as in Phase II. The founder was allowed to reallocate up to 5 per cent of the allocated funds to schools; 20 per cent additional funding was allocated for textbooks, audiovisual and technical equipment.
- *Phase V:* From the year 2006 onwards, the size of the student basket was to be determined and the funding for the founders of schools to be allocated in the same manner as in Phase II. The founder is allowed to reallocate up to 5 per cent of the allocated funds to schools; 15 per cent additional funding is allocated for textbooks and for audiovisual and technical equipment.

This is further illustrated in *Figure 1.1*.

3. Approximately US\$200 (in 2002, US\$1 was equivalent to about LTL 3.71).

Figure 1.1 The student basket (in LTL, per year and per student), 2002-2004

Source: Ministry of Education and Science of the Republic of Lithuania.

Expected results

After the general education funding reform for 2006, the government expected to achieve the following results:

- Education funds will be distributed according to uniform principles and will be used more efficiently.
- The quality of education services will be likely to improve even without an increase in funding, purely through the inter-school competition that is encouraged by this system.
- The number of children who do not attend school will decline, because schools will be motivated to keep existing students and attract new students.
- The school community will know the funds it can expect each year; hence it will be able to plan and manage its activities economically.
- The network of non-governmental (private) schools will expand.
- The school network (map) will be adjusted to better accommodate the needs of students and parents, and in order to guarantee the implementation of the 'national standards' of education.

Methodology for calculating the student basket

The methodology for the calculation of the student basket and the number of reference students was drafted on the basis of the principles for the reform of funding of schools of general education (approved on 11 October 2002 by the Government of the Republic of Lithuania, Resolution No. 1947).

The methodology for the calculation of the student basket was designed to determine the funds that will be required per 5th- to 8th-Grade student, where the average number of students in a class set is 25 per year (in 2001). This corresponds to the real-life situation in the Grades 5 to 8 in urban schools. The methodology is based on the teaching plan approved by the MoES for the year 2000-2001, which was used when paying teachers' salaries (LTL 1,064). It is also based on the requirement that every educator must spend three days a year upgrading skills in in-service

activities (LTL 13.5) and that funds must be allocated for substitute teachers and social security insurance (LTL 440), for school management and pedagogical psychological assistance (up to 10 per cent of the student basket), for textbooks (LTL 31.5) and for audiovisual and technical teaching equipment (LTL 6.3). The coefficients are expressed as values of the monthly basic wage (LTL 105) allocated per student per year. According to the calculations in 2000, the student basket amounted to LTL 1,555.

The methodology for the calculation of the number of reference students is designed to determine the conditional amount that should be added to or subtracted from the funds required for the education of each child per year, taking into account the type of school (primary, basic, secondary, and so on), the level of education (Grade 1-4, Grade 5-8, Grade 9-10, Grade 11-12, and so on), the location (rural versus urban), additional support for children with special needs, children from ethnic minorities and other indicators. This methodology follows the same principles as those related to the student basket, but in addition, the average number of students per class is established on the basis of the aforementioned indicators (10 students for a rural primary school, 22 students for an urban primary school, 15 students for a rural secondary school, and so on). A student in Grade 5 to 8 of an urban school is the 'standard student' for funding purposes.

Every reference student is assigned equal funds – namely, a student basket of LTL 1,555. To calculate the funds required for the education of a particular student in a particular school, the student basket should be multiplied by the coefficient applicable to the reference student of the school in question. To calculate the funds to be allocated for the teaching process in a particular school, the number of reference students of that school should first be calculated (the standard student coefficients determined according to the type of school, the level of education, the location and other indicators should be multiplied by the actual number of students) and then multiplied by the student basket.

The student basket funds are to be distributed to general education schools as specifically earmarked funds of the state budget. The school environment (such as building maintenance, utility bills and salaries to, and social security insurance for, technical staff) is to be financed by the founder of the school.

The methodology applies to the general education schools (for example, combination of kindergarten, primary, basic and youth schools⁴), secondary schools, gymnasiums (with the exception of fine arts gymnasiums), adult general education schools and education centres and classes founded by Municipal Education Councils. The methodology also applies to general education schools founded by the MoES or by county governors (*Table 1.1* and *Table 1.2*).

Implementation of the student basket

The student basket is calculated as follows:

1. A student basket is calculated for each student in Grades 5-8 of an urban school, when the average number of students per class is 25. The base coefficient for the calculation of the student basket is $K = K_b = 1.2340$ (see *Table 1.2*).
2. $MK = K_b \times q \times 12$, where q = the basic monthly salary (in 2002, $q = \text{LTL } 105$); 12 = the number of months; K_b is the base coefficient for calculation of the student basket. The base student basket is $MK = 1.234 \times \text{LTL } 105 \times 12 = \text{LTL } 1,555$.

4. Youth schools are a special type of school for adolescents with low motivation.

Table 1.1 Methodology for the calculation of the student basket and of reference students: curriculum indicators (units)

Indicators	Grades 1-4 (I)	Grades 5-8 (II)	Grades 9-10, Gymnasium Grades 1-2 (III)	Grades 11-12, Gymnasium Grades 3-4, (IV)
1. Compulsory lessons, average	22.8	27	32	32
2. Number of lessons during which class is divided into groups	2	7.3	9.5	7.5
3. Complementary (non-compulsory) lessons	4	5	6.5	6
4. Lessons for tutors	2	2	2	2
5. Teaching at home, hospital or out-of-school training	0.8	1.4	1	2.5
6. Total (1+2+3+4+5)	31.6	42.7	51	50
7. Correction of students' works, laboratory works, projects	0.6	1.5	2.4	3.4
8. Preparation for lessons (lesson/week)	3.8	5.8	6.6	6.6
9. Total lessons per week (hours)	36	43-50	50-60	60
10. Pedagogic norms per class: $n = h/18$ (18 is a standard norm of lessons for a teacher, hours)	2	2.4-2.8	2.8-3.3	3.3

Note. If Grades 5 to 8 are not divided into groups – that is, if there are 20 or fewer students in a class – the class will be subject to 2.4 pedagogic norms, while 2.8 pedagogic norms will apply to a class with 21 or more students. Grades 9 and 10 are not divided into groups; 2.8 pedagogic norms will be applied to a class of 20 or fewer students, and 3.3 pedagogic norms will apply to a class of 21 or more students.

Source: Ministry of Education and Science of the Republic of Lithuania.

Table 1.2 Methodology for the calculation of the student basket and of reference students

Stage	Payment fund									Other expenditures			Student basket coefficient (K)		Notes		
	t ₁	t ₂	t ₃	t ₄	t ₅	t ₆	t ₇	t ₈	t ₉	t ₁₀	t ₁₁	t ₁₂	t ₁₃	t ₁₄		t ₁₅	t ₁₆
Primary Grades 1-4	10	36	2	1.5200	0.1900	0.0190	1.520	4.712	6.232	0.6232	2.1622	2,724				2.1922	2,762
	15			1.0133		0.0127				0.4155	1.4415	1,816				1.4715	1,854
	20			0.7600		0.0095				0.3116	1.0811	1,362				1.111	1,400
	22			0.6910		0.0086				0.2833	0.9829	1,238				1.0129	1,276
	24			0.6333		0.0079				0.2597	0.9009	1,135				0.9309	1,173
Grades 5-8	10	43	2.4	1.8156	0.2280	0.0228	1.8240	5.6544	7.4784	0.7478	2.5862	3,259				2.6162	3,296
	15			1.2104		0.0152				0.4986	1.7242	2,172				1.7542	2,210
	20			0.9078		0.0114				0.3739	1.2931	1,629				1.3231	1,667
	24	50	2.8	0.8796	0.2660	0.0111	2.1280	6.5968	8.7248	0.3635	1.2542	1,580				1.2842	1,618
	25			0.8444		0.0106				0.3490	1.2040	1,517				1.2340	1,555
Gymnasium. Grades 1-4 (Grades 9, 10, 11, 12)	30			0.7037		0.0089				0.2908	1.0034	1,264				1.0334	1,302
	10	50	2.8	2.1111	0.2660	0.0267	2.1260	6.5968	8.7228	0.8723	3.0101	3,793				3.0401	3,831
	15			1.4074		0.0177				0.5815	2.0066	2,528				2.0366	2,566
	20			1,0556		0.0133				0.4361	1.5050	1,896				1.5350	1,934
	23	60	3.33	1.1084	0.3166	0.0138	2.5080	7.8455	10.3535	0.4502	1.5654	1,972				1.5954	1,935
	25			1.0133		0.0127				0.4141	1.4401	1,815				1.4701	1,852
30			0.8444		0.0106				0.3451	1.2001	1,512				1.2301	1,550	

Source: Ministry of Education and Science of the Republic of Lithuania.

3. The coefficient for the calculation of reference students, K_n , is calculated on the basis of the formula: $K_n = K/K_b$ (K is calculated as defined in Part t₁₆ of Table 1.2):

3.1 Coefficients for calculation of reference students of Grades 1-4 are as follows:

$$K_{22(1-4)kl} = 0.8208$$

$$K_{20(1-4)kl} = 0.9005$$

$$K_{15(1-4)kl} = 1.1924$$

$$K_{10(1-4)kl} = 1.5989$$

3.2 Coefficients for calculation of reference students of school Grades 5-8 are as follows:

$$K_{25(5-8)kl} = 1$$

$$K_{20(5-8)kl} = 1.0722$$

$$K_{15(5-8)kl} = 1.4216$$

$$K_{10(5-8)kl} = 1.9081$$

3.3 Coefficients for calculation of reference students of school Grades 9-12 are as follows:

$$K_{25(9-12)kl} = 1.1913$$

$$K_{20(9-12)kl} = 1.2440$$

$$K_{15(9-12)kl} = 1.6504$$

$$K_{10(9-12)kl} = 2.4636$$

3.4 Coefficients for calculation of reference students at youth schools where under-18-year-old students are taught, and for the calculation of reference students at schools run by hospitals are as follows:

$$K_{10(1-4)kl} = 1.5989$$

$$K_{10(5-8)kl} = 1.9081$$

$$K_{10(9-12)kl} = 2.4636$$

3.5 Coefficients for the calculation of reference students studying independently and taught at home are as follows:

$$K_{10(1-4)kl} = 1.9542$$

$$K_{10(5-8)kl} = 2.3321$$

$$K_{10(9-10)kl} = 2.7100$$

$$K_{10(11-12)kl} = 2.9810$$

3.6 Coefficients for the calculation of reference students attending vocational education and training schools for general education are as follows:

$$K_{25(9-10)kl} = 1.1913$$

$$K_{25(11-12)kl} = 0.8220$$

$$K_{25(11-12)kl} = 0.8577 \text{ (taught in a language other than Lithuanian)}$$

3.7 Coefficients for the calculation of reference students in special needs schools are as follows:

Special needs classes:

$$K_{10(1-4)kl} = 2.3095$$

$$K_{10(5-8)kl} = 2.7561$$

$$K_{10(9-10)kl} = 3.2027$$

$$K_{10(11-12)kl} = 3.5230$$

Usual academic classes:

$$\begin{aligned}K_{10 (1-4) kl} &= 3.0024 \\K_{10 (5-8) kl} &= 3.5830 \\K_{10 (9-10) kl} &= 4.1635 \\K_{10 (11-12) kl} &= 4.5799\end{aligned}$$

Examples of calculations:

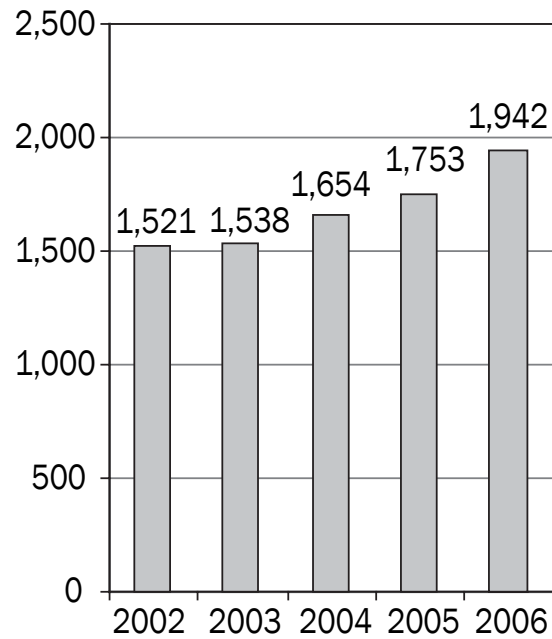
1. A small rural primary school with 100 students. The coefficient for the calculation of reference students (Grades 1-4) in 2002 was $K_{10 (1-4) kl} = 1.5989$. For calculation purposes, a sample of 50 students from this school equals 80 reference students (that is, $1.5989 \times 50 = 79.945$). The student basket was LTL 1,521. The student basket component of the school budget for these 50 students was thus LTL 121,680 per year (that is, $1,521 \times 80 = \text{LTL } 121,680$).
2. A city primary school with 400 students: 50 students also in Grades 1-4. The coefficients for the calculation of reference students in 2002 was $K_{22 (1-4) kl} = 0.8208$, so the number of reference students was only 41 (that is, $0.8208 \times 50 = 41.04$). The student basket component of the school budget for those 50 students was therefore LTL 62,422 (that is, $41.4 \times 1,521 = \text{LTL } 62,421.84$).

During the introductory phases, the amount of the student basket was as follows:

- *In 2003:* LTL 1,538 (LTL 1,064 for teacher salaries, LTL 440 for school management and social pedagogical help, LTL 21 for textbooks, LTL 4.2 for teaching materials, LTL 9 for teacher in-service training).
- *In 2004:* LTL 1,555 (LTL 1,064 for teacher salaries, LTL 440 for school management and social-pedagogical help, LTL 31.5 for textbooks, LTL 6.3 for teaching materials, LTL 13.5 for teacher in-service training). From 5 January 2004, the student basket increased to LTL 1,703, because teacher salaries increased by 9.5 per cent.
- *In 2005:* the student basket was LTL 1,728 and from 9 January 2005 it became LTL 1,802, because some extra activities were financed and 20 per cent more funds were given for textbooks (LTL 41.4) and teaching materials (LTL 8.3).
- *In 2006:* the student basket was LTL 1,942 (4.5 per cent more for teacher salaries, 15 per cent more for textbooks (LTL 47.6) and teaching materials (LTL 9.5) and some extra activities were financed.

The increase in the student basket between 2002 and 2006 is summarized in *Figure 1.2*.

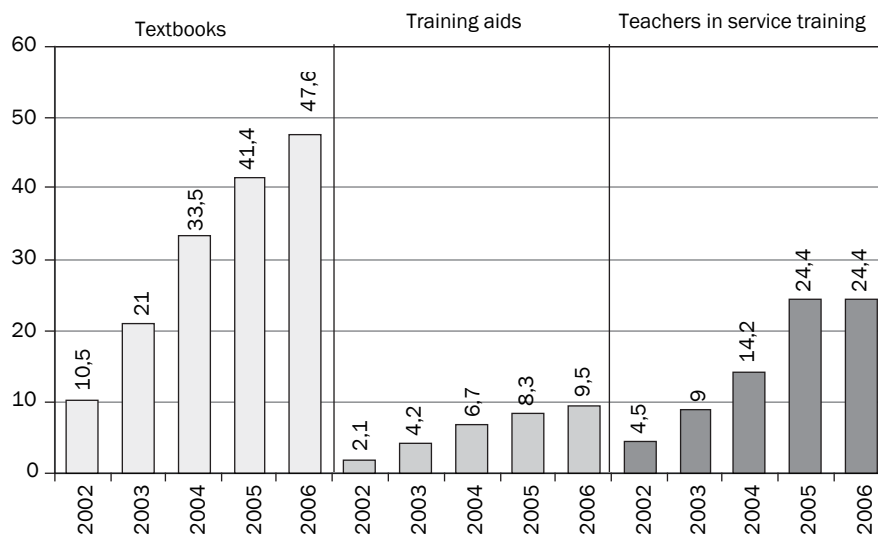
Figure 1.2 Increase in the student basket (in LTL, per year and per student), 2002-2006



Source: Ministry of Education and Science of the Republic of Lithuania.

The increase in the amount spent on teaching materials and teacher in-service training between 2002 and 2006 is presented in Figure 1.3.

Figure 1.3 Teaching materials and teacher in-service training (in LTL, per year and per student), 2002-2006



Source: Ministry of Education and Science of the Republic of Lithuania.

The methodology for the calculation of the student basket and the number of reference students was approved by a government resolution, and the size of the student basket was defined by

parliament in the Law on Financial Indicators of the State and Municipal Budgets each year (in a special article of the law in 2002, 2003, 2004, 2005 and 2006).

Problems with the implementation of the funding reform

Five years after the implementation of the general education funding reform, the expected results have, in general, been achieved. Schools are more autonomous, funding is more transparent, local authorities know the rules for planning their budgets. They know that they can use the savings from the student basket for other education needs, but only once all school needs are covered (that is, salaries, textbooks, teaching materials and teacher in-service training). In 2004, only 2.4 per cent of the entire state allocation for the student baskets was reallocated (this was within the allowed 5 per cent), and only 0.4 per cent (saved) was used for other education needs. Certainly the role of municipalities in decision-making is still problematic. Many are short of money, and some have diverted funds from the student baskets to other purposes. In one case, the payment of teacher salaries was delayed by over a month as a result.

Politicians at all levels of government, teachers' trade unions and teachers agree that the general education funding reform has been successful, but that there still are some problems with the implementation of the student basket, as follows:

- The reallocation of the student basket between schools (which allowed up to 15 per cent in 2002 and up to 10 per cent in 2003 and 2004). This possibility was provided to give some leeway in decisions made by school founders. In some cases, individual schools received funding that was cut by more than 15 per cent, while other schools' budgets increased by 20-30 per cent.
- The use of savings from the student basket funds for 'other education needs'. According to the Law on Financial Indicators of the State and Municipal Budgets in 2003 (Article 5), municipalities can use savings for other education needs. The methodology was created and the student basket calculated for financing the teaching process for general education schools only, because other uses distort the ability to fund needed resources for the teaching process.
- Some municipalities artificially decrease school environment budgeted funds and hope that the funds needed for the school environment can be financed by individual schools from their student baskets.
- Political pressures have been applied from time to time to change the methodology and to increase 'reference student' coefficients for some individual schools or types of schools (for example, small rural primary schools and national minority schools).
- By instituting funding reform, the education funding system has been changed using the funding principle 'per capita', but the system of 'school budget expenditure' has so far stayed the same (as expenditure depends upon number of class sets, but not upon the number of students in the classes).

1.2 Implementation of the new payment system for teachers

Reform of the principles of the teacher payment system was as important as making changes in the general school financing system. This section focuses on the background information, current problems with the teacher salaries the main goals of the changes and the results achieved.

Background of the teacher payment system

On 30 September 2004, with resolution No. 1231, the Government of the Republic of Lithuania approved the “Programme for the implementation of the new salary payment system for teachers” (hereinafter referred to as the Programme). The purpose of the Programme is to define the goals and objectives of the introduction of the new payment system for teachers and to set its implementation periods and stages, as well as to supply the required means. The change to the new system of payment for teachers’ work on the basis of on their job position is to be made in 2009. The new payment system for teachers will apply to directors (principals) of state (with the exception of institutions of higher education) and municipal schools, their deputies (vice-principals) for teaching, heads of in-school departments responsible for organizing the education process, teachers, vocational training specialists and specialists in assisting students and schools.

In 2002 the MoES created a draft project of the principles, key objectives, teacher’s payment models, expected results and calculations for extra budget needs of this new payment reform, but teachers and trade unions disagreed with this draft project. Theoretically, the best results would have been achieved if the general education funding reform and the payment reform in Lithuania had started at the same time (that is, in 2002). However a political decision was taken that the funding reform would be the first step, and that the payment reform would be the second.

Current problems linked to teacher salaries

In 2004, the MoES created a working group of education and finance specialists, which also included representatives of local municipality associations, school principals and trade unions for teachers. The working group collected data from education institutions founded by the state, the counties and the municipalities. After detailed analysis, the working group provided details of the contemporary (2004) problems linked to teacher salaries. These were as follows:

- At the end of each school year, it is complicated to distribute the workload of teachers for the coming school year. This is because with any change in the grades taught and the number of classroom sets in each grade, the number of contact hours also changes.
- Teacher wages depend largely on the number of contact hours every school year.
- The average actual monthly salary of a teacher in 2002 was LTL 1,168, whereas the average wage for the ‘fixed pedagogical norm’ was LTL 806 (18 contact hours per week).
- In reality, teachers are only paid on average for 26.4 hours per week (of these, on average, 21.3 hours are for class contact hours and 5.1 hours are for extracurricular activities), although the research conducted shows that teachers also perform unpaid work.
- The rate of teachers’ pay does not depend on the number of students in the form (classroom) set.
- The rate of pay of teachers is not based on the complexity of their work. It varies widely and depends on the ‘qualification categories’ of individual teachers.
- The rate of pay for teachers who have just started to work and teachers who have been working for many years (seniority pay) differs a great deal.
- Teachers are paid differently for essentially the same work in different types of schools (that is, pre-school education groups, pre-primary education groups, vocational instructors in vocational schools and so on).
- Even now some teachers are paid according to their job position (their salaries are still based on number of contact hours multiplied by pay rate per hour).
- The procedure for calculating salaries is complicated. It is determined on the basis of many factors. There exist 40 different pay rates, for example.

- Since 2000, every year the average teacher’s salary has decreased by LTL 20-30 annually, as the number of form (classroom) sets in the country has been decreasing.

Goals and objectives of the introduction of the new payment system for teachers

The goal of the introduction of the new payment system for teachers is to improve the organization of the salary payment system and to increase the salaries of directors (principals) of state (with the exception of institutions of higher education) and municipal schools, their deputies (vice-principals) for teaching, heads of in-school departments responsible for organizing the educational process, teachers, vocational training specialists, as well as specialists in assisting students and schools in improving the quality their work.

The objectives of the introduction of the new payment system for teachers are as follows:

- to ensure coherence between financing principles of comprehensive (general) and vocational schools and the procedure of payment to teachers;
- to pay teachers for the additional work they actually perform;
- to apply the same payment principles to all teachers for performing the same work, irrespective of the school type;
- to create a more secure (year-to-year) payment system for teachers.

Payment model for teachers, school directors and their deputies for teaching

The implementation of the new payment system for teachers is to take place over two periods:

- *Period I:* 1 September 2005 to 31 December 2009 – position-based payment for teachers to be introduced within four years and four months; the pedagogical norm to be increased up to 20 hours; 30 hours to be allocated to each teacher, and 5.4 additionally paid hours to be introduced within four years and four months (Table 1.3).

Table 1.3 The implementation of the new payment system for teachers: Period I

	Contact hours (18-22)	Additionally paid non-contact hours	Additionally paid non-contact hours introduced	Total hours	Additional means per year (LTL 1,000)	Pay rise for teachers (%)	Pay rise for other staff related to the educational process (%)
2005	18	4.2	1	23.2	24,295	1.5	1.5
2006	18	5.2	1	24.2	72,885	4.4	4.4
2007	19	6.3	1	26.3	121,475	12.6	7.1
2008	20	7.6	1.2	28.8	87,462	10.3	4.7
2009	20	8.8	1.2	30	87,462	4.5	4.5
Total for period			5.4		393,579	35.4	24.2

Source: Ministry of Education and Science of the Republic of Lithuania.

- *Period II:* 1 January 2010 to 31 December 2012 – pedagogical norm 20 hours; 36 hours to be allocated to each teacher; 6 additionally paid hours to be introduced (Table 1.4).

Table 1.4 The implementation of the new payment system for teachers: Period II

	Contact hours (18-22)	Additionally paid non-contact hours	Additionally paid non-contact hours introduced	Total hours	Additional means per year (LTL 1,000)	Pay rise for teachers (%)	Pay rise for other staff related to the educational process (in %)
2010	20	10	2	32	145,770	7.2	7.2
2011	20	12	2	34	145,770	6.7	6.7
2012	20	14	2	36	145,770	6.3	6.3
Total for period			6		437,310	21.7	21.7

Source: Ministry of Education and Science of the Republic of Lithuania.

The payment model for teachers is based on the following main principles:

- From 1 January 2009 on, a 30-working-hour week to be set for teachers (with the exception of social pedagogues, specialists of pedagogical psychological services, psychologists, specialized teachers and educators at vocational schools).
- Beginning on 1 January 2012, a 36-working-hour week to be set for teachers.
- A 40-working-hour week for teaching to be set for school directors (principals) and deputies (vice principals) and for the heads of the in-school departments responsible for organizing the educational process.
- The structure of the position of school director and deputy director, in terms of teaching, and for the heads of departments responsible for organizing the educational process to be up to 5 classroom contact or extracurricular teaching hours per week and 35–40 hours per week for management activities.
- Three categories to be set for the positions of school director and deputy director in terms of teaching: I (the highest), II and III (the lowest). The salary and the complexity of work will differ for these categories.

Funding for the implementation of the new payment system for teachers

The funding required for the implementation of the new payment system for teachers is presented in *Tables 1.2* and *1.3*.

Expected results

According to the key objectives, the expected results for the teachers' payment reform will be:

- On 1 September 2009 the system of position-based payment for teachers will be introduced.
- At the end of Period I of the programme implementation the salaries of teachers will increase by 35.4 per cent and the salary of other staff related to the educational process by 24.2 per cent. At the end of Period II all salaries will increase by 21.7 per cent.
- The system of financing teachers' pay will be coordinated with the education financing allocation system.
- The quality of teachers' work will improve.
- Teachers will feel more secure as their salaries will not be directly dependent on the number of classroom contact hours, which change each year.
- A transparent payment system will be created.
- Teachers' salaries will no longer decrease because of the annual decrease in the number of form (classroom) sets.

Problems with the implementation of the payment system reform

The main problem with teacher payment reform implementation is that the general financing education reform started earlier, in 2002. The school budget (at least its student basket component) depends upon the number of reference students, but school expenditures depend only on the number of class sets. The situation normalizes in 2009, once education funding and the teacher payment system can be correlated more efficiently. A few of the implementation problems are as follows:

- During the 2005/2006 school year, in Lithuania, there were 4.3 per cent fewer students in general education schools. As a result, some teachers had fewer lessons (classroom contact hours) on 1 September 2005. Their take-home pay did not increase, as they did not benefit from the salary increase of 4.5 per cent.
- It was very difficult to describe for what kind of work teachers should be paid their extra hour's wage on 1 September. The working group proposed delegating this decision to the school council, which is usually composed of five teachers, five parents, and five students. It was allowed to decide for what kind of work teachers should be paid one extra hour's wage.
- The Lithuanian teachers' trade-unions proposed that all teachers be paid one hour's wage for the preparation of lessons. This compromise was reached, and thus, from 2006 on, all teachers have received one extra hour's wage for the preparation of lessons.

Conclusion

Two financing reforms in Lithuania are described in this chapter. The first funding reform began in 2002 and is being successfully implemented. The student basket has increased from LTL 1,521 (2002) to LTL 1,942 (2006), or by 27.7 per cent, in five years. Before 2002, no funds in the school budget were allocated for textbooks, training aids or teacher in-service training. In five years, the resources for textbooks and training aids have increased by more than 35.2 per cent and for in-service teacher training by more than 44.2 per cent.

The new financing formula and the student basket have become acceptable to and easily understandable for all levels of politicians, administrators, school managers, teachers and parents. For the MoES, the student basket includes the funds for the teaching process and new reforms. The municipalities may confirm that funds have been fairly distributed and transferred to their budgets, and that schools have received all funds for the student basket and have planned their activities for a two- to three-year period. The teachers are aware of the possibilities for in-service training and of the implementation of the teaching plan. Parents are aware of the school budget and of the allocations for textbooks and training aids. The student basket has thus become a part of the education process in Lithuania and a tool for improving efficiency and transparency.

The second financing reform in Lithuania – payment reform – began in 2005. In 2009, a new model of payment is to be introduced, which will consist of a 30-hour load per week for each teacher, including 18-22 contact hours and 12-18 extra hours for preparation, evaluation, and additional activities with parents, students and teachers. The salaries of teachers will increase by more than 35 per cent. In the second stage of implementation, which is to take place in 2012, the working week for teachers will increase to 36 hours, plus 6 extra hours – a planned increase of about 25 per cent. Up to 2012, more than 73,000 teachers know when, and by how much, their salaries will increase. The new payment reform will guarantee a safe payment system for teachers and a higher quality of education. As the two reforms are strongly correlated and depend on each other, the best way is to implement both at the same time.

2 University management audit in Slovakia

Sylvia Kopnicka*

2.1 University status

Organization and structure of the universities in Slovakia

The Constitution of the Slovak Republic declares that each person has the right to a free choice of a career and to the means to prepare for that career. According to the Law on Higher Education, universities are supreme educational, scientific and artistic institutions. Their primary mission is to preserve knowledge and to provide educational and scientific research and creative artistic activity. Universities have the exclusive right to award academic and scientific degrees. They also provide lifelong education.

In Slovakia, there are three different types of universities: public, state and private.

Public universities

Public universities are statutory and self-governing institutions that are created and disbanded by act of law (the Act on Higher Education). The law also provides for their names, classification and seating. If a university is divided into faculties, the law also provides for the establishment of its faculties. The bodies responsible for the self-governance of an institution are its academic senate, its rector, its scientific council and its disciplinary commission. These bodies make decisions about the administration, the organization and the activities of the institution.

State universities

State universities are established through the ministries of the Slovak Government; these are military, police and medical universities.

Private universities

Private universities are established by non-government institutions or founders, with the approval of the Ministry of Education (MoE) of the Slovak Republic. They have the authority to provide education and research. The academic year begins on 1 September of each year and end on 31 August of the following year, and it is divided into two or three semesters. The number of semesters is specified in the statute of each university. The teaching process includes various forms of instruction, such as lectures, seminars, laboratory work, projects, practical training and consultations.

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The organization of all levels and forms of universities is based on a credit system. The credit system of study uses accumulation and transfer of credits. The standard workload of students is expressed by the number of credits per academic year: 30 credits per semester or 20 credits per trimester. Universities determine the total number of credits required for the due completion of study at each level. The credit system follows the rules of the Credit Transfer System. This system enables a higher mobility of students and a comparison of the content and results of study programmes, and it allows a similar procedure abroad.

Studying at state and public universities is available free of charge in the Slovak Republic and the Czech Republic, as well as in Austria.

University financing

Public and state universities are financed mainly from the state budget. Private universities secure their own financial means but can also obtain funds from the state budget. Public universities draw up budgets for the calendar year and run their institutions accordingly. The institutions provide a financial statement to the MoE at the end of each calendar year on the date set for clearing financial transactions that pertain to the state budget. The expenditure budget of each university is to be used to fulfil the tasks for which it was established and for its development.

The budget revenues of the public universities are: grants from the state budget, tuition fees, study-related fees, revenues from the further education institutions, assets revenues, intellectual ownership revenues, donations from domestic natural persons, legal entities and foreign natural persons, legacy revenues, revenues from the entrepreneurial activities and miscellaneous revenues.

The revenue budget may include subsidies from the budgets of municipalities and the higher regional self-government units. The institutions may also use loans from banks as a source of funding. In addition, public universities raise their own funds, from such sources as the reserve fund, the reproduction fund, the scholarship fund and funds from special regulations.

Public higher education institutions also generate funds from economic pursuits, revenues from donations, legacy revenues and revenues from entrepreneurial activities. Specific donations in cash are used for the purpose indicated by the donor. Funding may also come from other sources.

The reserve fund is primarily used to cover any losses for the current year or for previous years, if the public higher education institution shows such losses. The reproduction fund include, in particular, tangible and intangible asset depreciations, according to a special regulation. The scholarship fund, which is used to provide students in difficulty with scholarships and loans, is made up of welfare benefit subsidies meant for this specific purpose and incomes from tuition fees.

Subsidies from the state budget are, however, the main source of finance of public universities. These are intended to cover the expenses necessary for their activities. The universities also have access to other state resources. For instance, the MoE grants subsidies to universities for the implementation of accredited study programmes, research and development, artistic activities, student welfare and overall development. These subsidies are granted within the framework of a contract defined by the MoE, and they include the following components, in particular: the purpose for which the subsidies are granted and the conditions for their use; the total amount of the subsidy (including the amount of each individual item), the date and the means of granting the subsidies and the date the recipient is to submit a financial report of the use of the subsidy to the provider.

The amount of a subsidy that has not been spent by the end of a calendar year can be carried over to the following calendar year, provided that it has met the terms of the subsidy contract. These carried-over funds have no effect, however, on the amount of subsidies allocated for the following year. Universities may carry out entrepreneurial activities. Expenditures on these activities must be covered by revenues earned for them. Any surplus revenues from these activities are used for the fulfilment of the tasks for which they were undertaken.

The assets of universities consist of the sum of asset values, fixed assets, current assets, liabilities and the other rights and values priced. The universities use their assets for the fulfilment of their tasks in education, research, development and artistic activities. At times they also use them for entrepreneurial activities and for the provision of services for their students and employees.

Universities are obliged to keep their assets in an appropriate condition and to protect them using all the remedies at their disposal. They are to manage their assets effectively, purposefully and with utmost efficiency and see to it that they do not suffer from damage, loss, misuse or theft.

2.2 The control system in Slovakia

Audits and their classifications

Audits are seen as expert, purposeful and organized way of objectively identifying the difference between the desired and the actual state of affairs. They is aimed at eliminating problems and their causes. The most necessary characteristics of audits include objectivity, expertise and timeliness.

More specifically, audits are used to identify the objective state of the facts that are inspected and their compliance with legal or internal regulations that are usually binding. Their results must be demonstrable, complete and honest. Their fundamental criteria are legality, objectivity, factual and formal correctness, pragmatism, effectiveness and efficiency in fulfilling tasks. Legality is examined by comparing the provisions of a legally binding regulation with the actual state of affairs as found. Efficiency is audited by examining the relation between the funds spent and the effects achieved, with the aim of delivering maximum effect at minimum cost.

Internal and external audits

An important distinction needs to be made between internal and external audits. These audits are further described below.

Internal audits

Within the audit system, internal audits carried out by managers, managing bodies and specialist departments have a crucial role. This type of audit assists but is subordinate to management – as opposed to external audits, which focus on the management and are subordinate to governmental or parliamentary audits. This distinction is illustrated in *Figure 2.1*.

Internal control within the state administration is a system that aims to ensure the audit of tasks by bodies within the state administration and its functioning at all government levels. It is achieved through the auditing activities of leading auditing bodies and their managers, including expert and audit divisions.

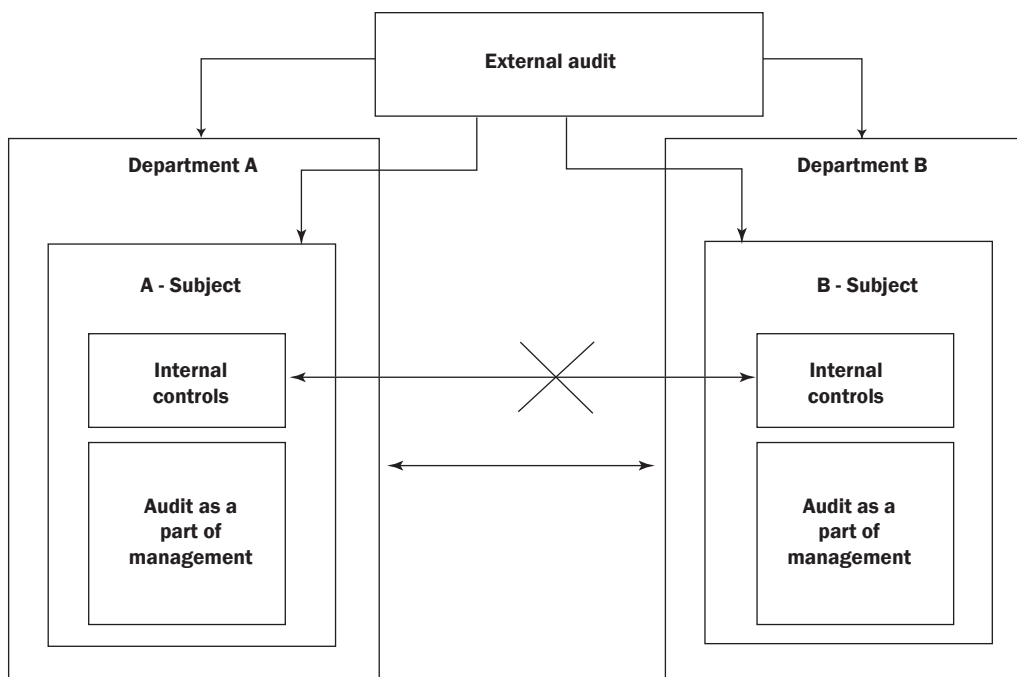
The internal control of audited bodies is performed by audit divisions directly answerable to the chief body and other expert divisions, according to their status. Within the framework of internal controls and within the range of their competence, audit bodies mainly inspect: the fulfilment

of state administrative tasks, the management of the state budget, the management of state property, the settlement of petitions, complaints, notices and inducements; depending on factual status, compliance to generally binding legal regulations and the measures issued on their basis and the fulfilment of measures for rectifying contraventions identified during an audit.

Within the framework of Slovakia's entering the European Union, major changes have been made in the area of controlling public finances. These include the Law on Financial Audit and Internal Control, the purpose of which is to regulate how financial control is administered by the beneficiaries of state budget revenues and of funds from abroad. In this regard, an internal auditing institute has been set up at central level. The law stipulates that each head of a public administration body, within the framework of his/her control functions, is responsible for the creation, maintenance and development of a financial control system, which includes a mechanism for financial audit. In addition, financial control is to be carried out on a preliminary, continuous and follow-up basis.

The law also introduced an internal control system that is independent and objective and focuses mainly on providing an operative and independent assessment of the appropriateness and efficiency of internal control systems. The type of internal control is defined by an internal auditor and depends on the area of activity to be assessed. It pays particular attention to the protection of the financial interests of the European Union.

Figure 2.1 The difference between external and internal audits



External audits

External audits are part of a system by which audited entities are not subordinate to the auditing bodies. The system operates on the principle of independence as a means of bringing about the proper and effective use of public finances. It provides objective information on specific areas to state bodies and to the public. Its functions are viewed as important for the positive social-economic development of the state.

Both the organization of the auditing system and the expertise of the individual auditing bodies are centred on the current government. Their aim is to fulfil the tasks linked to the functions of a democratic state.

The current audit system for public administration is based on the work of relatively independent auditing bodies that specialize in conducting auditing activities that are governed by special legal regulations. More specifically, the external control system in the Slovak Republic is carried out by the following bodies:

- *The National Council of the Slovak Republic* is a supreme legislative and constitutional body responsible for inspecting adherence to laws through its committees.
- *The Supreme Audit Office of the Slovak Republic (SAO)* is an independent state body, whose auditing activities are strictly bound by law.
- *Administrative courts* are responsible for auditing the revision of decisions made by public administration bodies.
- *The Prosecutor's Office* is responsible for protecting laws by verifying that they are being adhered to.
- *Auditors* are physical or legal entities registered at the Slovak Chamber of Auditors who conduct expert audits independently, focusing on the accuracy and comprehensiveness of ordinary and extraordinary financial statements and the finances and assets of businessmen.
- *The Institute of the Public Protector of Rights* is delegated by the state to protect the rights and liberties of citizens; it has an ombudsman who is authorized by parliament to protect the rights of individuals and inspect the entire system of public administration, including the activities of public and state employees.

Auditing activities focus mainly on the management of state budget funds; the fulfilment of state administrative tasks; auditing activities within the realm of local government; the fulfilment of tasks linked to the management of public affairs by interest groups and entities; administrative tasks performed in the interest of the public; and the settlement of petitions and complaints.

Control effectiveness

The positive and negative factors that influence the effective operation of the control system are as follows:

Positive factors

- In the Slovak Republic, control is administered over all levels of public administration.
- The SAO, through its independent external audit and its findings, creates conditions for the elimination of any defects detected and therefore enhances the effectiveness of public administration.
- The government, through its control activities, contributes to the effectiveness of state administration.

Negative factors

- Employees of internal control and supervisors of control activities have some means to perform their activities independently.
- The operation of control in regional autonomies is not obligatory. However, the power to control, even from a methodological point of view, has not been amended by a legal regulation.

- There is insufficient evaluation (moral and financial), but also the absence of a force to create conditions to confirm particularly skilled auditors in the system of control.
- A number of tools necessary for the good operation of audits are still missing, such as information databases based on audits, auditing software and the use of computer technology in the control division.
- The lifelong education of a sufficient number of controllers is not guaranteed.

The control system for public administration has recently been legally amended. It now operates despite the shortcomings that often negatively influence the effectiveness of control.

Status and scope of competence of the SAO of the Slovak Republic

The political and economic changes in Slovakia are gradually being reflected in the legislations of the state. Articles 60–63 of the Constitution of the Slovak Republic, which was adopted in September 1992, stipulate that the SAO is an independent institution with the function of auditing the management of budgetary funds, state property, property rights and state receivables. At that time, it was to represent a new type of state authority. Its establishment was aimed at strengthening the development of democracy via an independent audit institution and, simultaneously, at securing the state's interest in the area of auditing and the management of the state funds.

Act No 39/1993 Coll. regulated various aspects of the SAO in greater detail. This included its power, its auditing criteria, the formation of its bodies, the extent of its shared rights and duties and the subject of its audits. The Act was part of an effort to bring the legal regulation on social relations that was established during the state audit of the financial and economic sector in line with the current legislation in European Union countries, taking into account the state and development of relevant legal institutions as fully as possible.

Since its establishment on 1 April 1993, the SAO has occupied a stable position within the main state authorities in the Slovak Republic. Through its audit findings, it has been directing the state administration authorities towards the effective use of budgetary funds. In doing so, it has been able to draw the attention of the Members of Parliament in the Slovak National Council to various aspects of legislations that may directly or indirectly influence the economic situation of the country.

The SAO of the Slovak Republic is an independent governmental agency bound only by law. It audits the management of budget recourses, state property, obligations, financial income, property rights, public debts, the methods of levying and claiming taxes, custom duties, drafts, payments and fines that form the revenues of the state budgets and the execution of rights and obligations arising from financial and economic relations of which the state is a party. Funds from European communities and any other foreign funds are also regarded as part of the state budgetary funds.

The SAO auditing activities are linked to the following bodies:

- the government, the ministries and the other central bodies;
- state bodies and legal persons, if their functions are monitored by a central body of the state administration or by other state bodies;
- municipalities;
- higher territorial unit legal persons, established by higher territorial units;
- statutory institutions established by law, and legal persons in whom statutory institutions or the state have a key involvement;
- legal persons who contribute a certain percentage to the national property funds.

Auditing standards and rules

The auditing activities of the SAO are an integral part of the management of public funds and its regulatory systems. They consist mainly in:

- giving early warning of deviations from standards, violations of laws, failures to meet requirements, and so forth;
- informing about efficient and effective economic conduct that has led to the adoption of corrective measures that will be obligatory for and implemented by relevant bodies in order to repair damages;
- encouraging the adoption of measures that could prevent or reduce to a minimum the possibility of these irregularities reoccurring.

The SAO conducts audits in an economic, effective and purposeful manner. 'Efficiency' here means the use of budgetary funds for predetermined purposes that have been approved by the act on the state budget, legal regulations or other means. It also means the correct use of budgetary funds and of the property of the state, municipalities and upper-tier territorial units; the exercise of rights; and the effective management of public debts so that outputs are in compliance with the predetermined purpose (objective).

While performing auditing activities, auditors are bound by the ethical principles stipulated in the code of ethics for government employees, such as the code of ethics for SAO auditors and the INTOSAI code of ethics.

Main steps involved

Planning and preparations represents the starting point of any audit. This is completed when the results are implemented. The criteria on which planning is based are: the audit requirements stipulated in the Act on the SAO of the Slovak Republic, the experience gained from previous auditing activities, knowledge of the economic situation in the Slovak republic, recommendations from the government, knowledge from the claims settlement department, knowledge gained from remedying weaknesses, errors, omissions, shortcomings, irregularities or non-compliance during previous audits and other relevant information.

In accordance with the rules for auditing activities, the three main stages of an audit are (1) the preparation of the audit, (2) the execution of the audit in the audited entity and (3) reporting (*Appendix 3*).

2.3 Audits and the prevention of corruption

Corruption and its characteristics and types in the education sector

Corruption arises in both political and bureaucratic offices and can be petty or grand, organized or unorganized. In the political realm, it undermines democracy and good governance by subverting formal processes. Corruption in elections and in legislative bodies reduces accountability and representation in policymaking. In the judiciary, it suspends the rule of law. And in public administration, it leads to the unequal provision of services.

More generally, corruption erodes the institutional capacity of government as procedures are disregarded, resources are siphoned off and officials are hired or promoted without regard to performance. At the same time, corruption undermines the legitimacy of government and democratic values, such as trust and tolerance. Furthermore, corruption generates economic distortions in the public sector by diverting public investment away from services like education, into capital projects

where bribes and kickbacks are more plentiful. Officials may increase the technical complexity of public sector projects to conceal such dealings, thus further distorting investment. Corruption also lowers compliance with construction, environmental or other regulations, reduces the quality of government services and infrastructure and increases budgetary pressures on the government.

A number of definitions of fraud are used throughout the world. Fraud is a deliberate act, usually involving the use of deception, to obtain some form of financial benefit or advantage from a position of authority or trust. This often results in some form of loss to the organization that is defrauded.

The essential characteristics of fraud are as follows:

- at least two parties: the perpetrator and the party who was or could have been harmed by the fraud (otherwise known as the victim);
- a material omission or false representation knowingly made by the perpetrator;
- an intention by the perpetrator that the false representation will be acted upon by the victim;
- a victim with the legal right to rely on the representation;
- actual injury or a risk of injury to the victim as a result of the reliance.

The factors conducive to fraud fall into the following three broad categories:

1. *Financial motivation*: The stimulus for most fraud is financial in nature. This is fuelled by the perceived needs or desires of the individual committing the fraud.
2. *An opportunity to commit fraud*: There are environments that provide opportunities to commit fraud. Weak internal controls provide such environments.
3. *Rationalization*: Individuals responsible for fraud rationalize their fraud – for instance, by claiming that the funds available for government are so great that what they take will never be missed, or that no one would be smart enough to catch them.

Table 2.1 details some of the most common types of irregularities that occur in the education sector.

Table 2.1 Types of irregularities in the education sector

Types of wrongdoings	Definition
False statements	The wilful falsification of a material fact or a false or fictitious representation, resulting in economic or financial loss to the party to whom the false representation has been made
False claims	The wilful submission of a claim to the government for money that is underserved
Conspiracy	An agreement between two or more persons to perform together an illegal, wrongful or subversive act
Conspiracy with regard to claims	An agreement between two or more persons to take joint action to submit a false claim
Theft/embezzlement	The stealing or retention of funds or property from another party, e.g. the government
Bribery/gifts/gratuity	Giving, offering or receiving from a public official or witness an item of value so as to influence an official act
Conflict of interest	A public official accepting a fee to perform official work, or participating in an official activity that may affect their private interest
Bid rigging	An agreement between bidders on how bids will be submitted or withdrawn so as to create an illusion of competition

Source: Long-term regional training programme.

Fraud and misconduct in the education sector can involve the following:

- manipulation, falsification or alteration of accounting records or supporting documents used to prepare financial statements;
- misappropriation/misapplication of assets;
- suppression or omission of events, transactions or other significant information;
- recording of transaction without substance;
- misapplication of accounting principles related to amounts, classification, manner of presentation or disclosure.

One of the keys to success in detecting fraud is the ability to spot oddities, the unusual and the out-of-place. These anomalies may be referred to as red flags. These are symptoms or indicators of fraud because of the frequency with which they have been detected in previous cases of fraud. Knowledge of these indicators provides auditors with a significant head start in fraud detection and enables them to build on past experience. Auditors should be aware of them, know when to use them and understand their strengths and limitations.

Red flags can be defined as situations, conditions or occurrences within a programme or activity that indicates susceptibility to non-compliance or the possibility that non-compliance may occur. Some examples are as follows:

- poor records or documentation, or unusually tidy records;
- voluminous and complex transactions;
- significant extraordinary transactions;
- a management body that lacks awareness of applicable laws and regulations;
- lack of co-operation on the part of management or of employees;
- incorrect, misleading, or unreasonable information provided by management or by employees;
- lack of a separation of duties;
- a large turnover of employees;
- refusal to take holidays by employees;
- employees with extravagant lifestyles;
- prior or ongoing criminal prosecution of a company or of an employee;
- recurring complaints received through the SAI hotlines.

Some of the red flags listed below – the characteristics of personnel, for example – are unlikely to be identified by the SAI auditors, as an external auditor is unlikely to have the time to notice these characteristics. Auditors should, however, be aware that such red flags exist.

More specifically, the 50 red flags noted by the Institute of Internal Auditors in 2002 are as follows:

1. unusually high personal debts;
2. severe personal financial losses;
3. individuals living beyond their means;
4. extensive involvement in speculative investments;
5. excessive gambling habits;
6. alcohol problems;
7. drug problems;
8. undue family or peer pressure to succeed;
9. a sentiment of being underpaid;
10. job dissatisfaction or frustration;

11. feeling of insufficient recognition for job performance;
12. continuous threats to quit;
13. overwhelming desire for personal gain;
14. belief that job is in jeopardy;
15. close associations with suppliers;
16. close associations with customers;
17. poor credit rating;
18. consistent rationalization of poor performance;
19. wheeler-dealer attitude;
20. lack of personal stability, such as frequent changes of job, residence, and so on;
21. intellectual challenge to beat the system;
22. unreliable communications and reports;
23. criminal record;
24. defendant in a civil suit other than divorce;
25. refusal to take holidays of more than two or three days;
26. a department that lacks competent personnel;
27. a department that does not enforce clear lines of authority and responsibility;
28. a department that does not enforce proper procedures for the authorization of transactions;
29. a department that lacks adequate documents and records;
30. a department that is not reviewed frequently by internal auditors;
31. lack of independent checks other than by an internal auditor;
32. no separation of custody of assets from the accounting for those assets;
33. no separation of authorization of transactions from the custody of related assets;
34. no separation of duties between the accounting functions;
35. inadequate physical security;
36. lack of explicit and uniform personnel policies;
37. failure to maintain accurate personnel records of disciplinary actions;
38. inadequate disclosures of personal investments and incomes;
39. operating on a crisis basis;
40. inadequate attention to detail;
41. failure to operate within a budget;
42. lack of budget review or justification;
43. too much trust being placed in key employees;
44. unrealistic productivity expectations;
45. pay levels not commensurate with the level of responsibility assigned;
46. inadequate staffing;
47. failure to discipline violators of organizational policies;
48. inadequate information being given to employees about rules of discipline or code of conduct within the organization;
49. failure to require employees to complete conflict-of-interest questionnaires;
50. inadequate backgrounds checks before hiring employees.

The role of the SAI in preventing corruption

The Supreme Audit Institution (SAI) represents Slovakia on international bodies for supreme auditing institutions. It applies the international auditing standards of the European Union (EU) and adopts them to conditions in Slovakia, for the purpose of ensuring quality and professional competence. It actively participates in the fight against economic crime, undue enrichment and

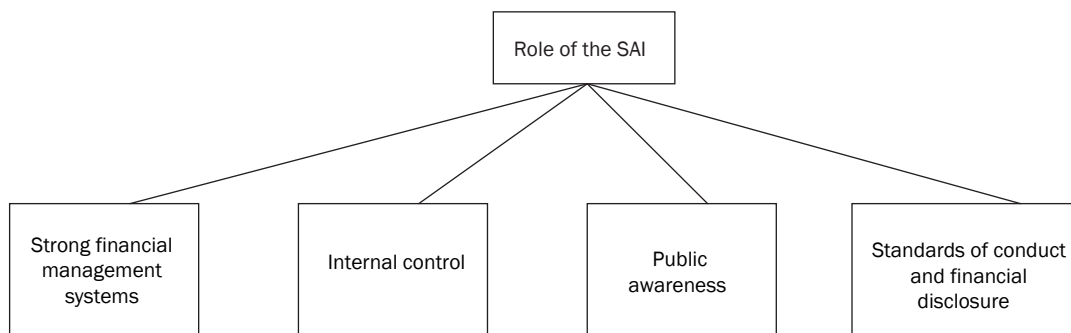
corruption. It carries out this task even though, pursuant to the Act of Law regarding the SAI, it is unable to provide evidence about economic crime, undue enrichment or corruption through its auditing methods. The SAI is thus in a position to influence the occurrence of negative phenomena only in an indirect way: through consistent auditing and the insistence on the elimination of the established violation of laws or other legal standards.

The SAI carries out its audits in accordance with the following three general standards:

1. *Qualifications*: This standard places upon the SAI and its auditors the responsibility to ensure that audits are conducted by personnel who collectively possess the knowledge, skills and abilities to perform the required audits.
2. *Independence*: This standard places upon the SAI and its auditors the responsibility to ensure that judgements made in collecting and analysing evidence and communicating results are impartial. Personal, external and organizational impairments must not adversely affect the independence of the endeavour to detect fraud and irregularities.
3. *Due professional care*: This standard requires that there is a constant effort to achieve quality professional performance. Specific emphasis should be placed on thoroughness, the appropriate use of investigative techniques, impartiality, objectivity, the protection of individual rights and timeliness.

Although preventing fraud and corruption is not the sole responsibility of the SAI, the SAI can contribute to prevention by focusing on the following areas in its work: strong financial management systems, internal control, public awareness, standards of conduct and financial disclosure, as summarized in *Figure 2.2*.

Figure 2.2 The role of the SAI in preventing corruption



Strong financial management systems

Strengthening the financial management system by actively seeking to provide ongoing accountability within the government will create a preventive environment that does not favour fraud and corruption. An effective system imposes accountability by presenting complete and accurate information in a timely manner and thereby limits the opportunities for irregularities, including fraud and corruption. A strong financial management system features the following characteristics: accurate, complete, and timely financial reporting (including the financial statements audited by the SAI and reports on internal controls and compliance with laws and regulations), a reliable system of internal controls and cost accounting capabilities.

Internal controls

The main strategies for preventing fraud and corruption are: evaluating internal controls to identify control weaknesses; making recommendations to strengthen the weaknesses identified; and following up on the implementation of these recommendations. Historically, control weaknesses have been identified as a major contributing factor in many significant cases of fraud and corruption. In conjunction with its audit and oversight responsibilities, the SAI can also comment on the effectiveness of internal controls.

Public awareness

Heightening public awareness of fraud and corruption through timely public disclosure of audit findings will bring about accountability. Timely public disclosure of the SAI audits and findings makes everyone – from the government to the general public – aware that the SAI is actively seeking out information and working towards fraud and corruption prevention. If audits and appropriate actions are initiated by legal authorities, an environment is created that does not favour fraud and corruption. In addition, informing the public and civil servants that effective internal controls are in place deters fraud, as their existence is known by those who have the potential to commit fraud.

Furthermore, mechanisms that enable the public and civil servants to report fraud and corruption contribute significantly to their prevention. If the availability of these mechanisms is well publicized, individuals will have an opportunity to provide information anonymously and without fear of reprisal. Telephone hotlines and internet technology are examples of commonly used reporting mechanisms.

Standards of conduct and financial disclosure

Standards of conduct establish policies and procedures that lay out the responsibilities of civil servants. Public awareness of the standards increases the probability of detection and helps prevent fraud and corruption. Moreover, fraud awareness training for civil servants enhances detection and prevention. INTOSAI's Audit Standards Committee addressed the issue of a code of ethics for the SAI, which could serve as a model for standards of conduct.

The disclosure of personal assets by government executives and managers involved in the decision-making process promotes adherence to standards of conduct, exposes potential conflicts of interest and supports transparency within the government. Financial disclosure declarations that are updated annually and subject to review help promote an environment that is also unfavourable to fraud and corruption.

2.4 Examples of audit findings in Slovakian universities

When conducting audits of universities, the SAO focuses mainly on the use of state budget means, adherence to the procedures for public procurement of goods, services and public work, management of university property; the accuracy, integrity and demonstrability of bookkeeping, adherence to the law on the reimbursement of travel costs; and precision in classifying employees into salary classes and salary levels.

The following section gives a brief overview of how audit workers conduct audits on the spot, and what they focus on in their auditing activities. It also describes the audit of the state budget means and university property. Simplified explanations of the relevant legislation are used in order to provide a better understanding. The public procurement process, its risks and possible prevention against misuse of financial means is described in a separate section.

Audits conducted professionally and to a high standard depend significantly on the experience of the inspector. The preparation of the audit consists of a study of generally legally binding regulations aimed at the education sector. Orders and internal university regulations should not be ignored in this process.

Audit of state budget means

The main funding sources of public universities are subsidies from the state budget. Subsidy contracts are established with recipient universities, which explicitly set out the purpose of the granted subsidy and the conditions of its use. When the use of the subsidies is audited, inspectors focus on whether:

- the provided funds have been used for the set purpose;
- maximum efficiency and effectiveness have been exercised in using state budget means;
- the settlement of advance payments had been agreed beforehand in the contract in writing;
- the granted subsidy has been carried to account with the state budget.

Each year, every university is granted a subsidy from the state budget for the performance of its activities. Within the subsidy, the sum for capital investments and running costs are explicitly defined. Funds allocated for capital investments are to be used to finance long-term tangible and intangible property, and to ensure their technical valorization. Funds allocated to running costs, for example, are to be used to pay wages and for general repairs and maintenance, energy, rent, insurance, services, consumable materials, and so on. Running costs may not be financed from capital investment funds, and vice versa. Failing to observe the conditions defined in the subsidy contract represents a violation not only of the subsidy contract, but also of the law on budgetary rules. The penalty for this is the return of the improperly used budgetary funds to the state.

- For example, an audit of the accounting documents of *University A* identified that a long-term tangible property was purchased for the amount of 100,000 Slovak Koruna (SK) with funds allocated for running costs, thus violating the subsidy contract.
- *University B* similarly financed the technical valorization of a long-term tangible property with its running costs fund, violating the conditions set in its subsidy contract. Invoices for construction work for the amount of SK 357,260 were settled with funds allocated for running costs, when they should have been settled with the capital investment fund.
- *University C* settled invoices for the total amount of SK 250,500 for work and services connected with the maintenance of the university premises (for example, roofing insulation, the renovation of the gym ceiling and painting of the premises), which should have been financed from the running costs fund, from the capital investment instead of the running cost fund thus violating the law.
- Funds are allocated to universities for special expenses, such as representation and promotion activities, expenses connected to official visits, and refreshment for participants at meetings, conferences and other work events. The nature of the refreshments depends on the character and the duration of the event. A running costs fund was allocated to *University D*. In contravention of how the fund should have been used, the university used it to organize a ceremonial meeting of its academic community, a visit of its academic senate to another university, a meeting of its scientific board and festive days at the university.

The improper use of subsidies may occur either knowingly, as when a larger fund for running costs has been set for a university and it needs, for example, to procure a long-term tangible property for which it does not have enough financial means, or unknowingly, as when a subsidy contract

is breached as a result of insufficient knowledge of the official legislation by the employees who make the decisions about the use of allocated budgetary means.

Universities are also obliged to use budgetary means economically and effectively. Auditors have, however, uncovered violations of this principle, as illustrated in the following examples:

- At *University E*, an audit of bills paid for in cash revealed that 'easy coupons' for mobile phones were settled as part of petty expenses. From the documents submitted, it was not possible to identify the person whose mobile phone they were used for, and for what purpose the calls were made. A total amount of SK 11,200 was used over a period of one year. The same year, the SAO released a statement that the university had not ensured maximum efficiency in its expenditures, thus breaching the law.
- In accordance with the Law on Employment, *University F* was required to employ an obligatory number of persons with reduced capacities compared to their existing employees. If it failed to meet this obligation, it was required to pay a fine from its budget. As the university did not employ these persons, it had to pay a fine amounting to SK 145,800, because the inspectors judged that it had failed to ensure maximum efficiency in its expenses. The above-mentioned funds might have been used, for example, to improve the quality of the teaching process or for building maintenance.
- Pursuant to the law, an employer can award employees a bonus for the fulfilment of extraordinary or special work tasks. Audits in the area the payment of bonuses at *University G* revealed that without specification of the extra work carried out, as required by law, in one year bonuses of a total sum of SK 252,000 were paid to 41 employees and in the following year a bonus of a total amount of SK 303,000 was awarded to 27 employees.

Audit of university property

An inherent part of university audit is the audit of property. The term 'property' refers to property values, tangible and intangible assets, debts, other rights and values expressed in money. The explicit rules for the management of university property are stipulated in the Law on Universities. This section refers only to the audit of property in areas where the most frequent violations of this law are have been found.

Universities are obliged to use their property to fulfil tasks within the framework of their activities and according to the Law on Universities. They are also required to take care of them, keep them in proper condition, use all legal means to protect them and ensure that they are protected, primarily against damage, loss, misuse or theft. In addition, universities are obliged to manage their property effectively, purposefully and with maximum efficiency. An audit in this regard serves to check whether:

- property is used to fulfil the tasks within or outside the framework of the scope of university activities;
- property is protected against theft – for example, through a security firm or through insurance;
- property is in the location where it is registered;
- employees have material responsibility for the property entrusted to them;
- in property records, different elements are not registered under the same inventory number;
- a damage board has been established at the institution level and it works actively;
- all property is used purposefully and with maximum efficiency.

Property that is not used for the immediate needs of a school can be leased. Property that is no longer needed to fulfil the school's needs can be sold at a reasonable price in accordance with the law, or at least the price identified according to price regulations. An audit in this area serves to verify whether: the property that has been leased or sold; the price at which property has been let; the property designated for sale may not serve to fulfil the needs of the school in the future; redundant property has been used purposefully and with maximum efficiency; and the property has been sold for an adequate price and in accordance with price regulations.

A university is obliged to keep accounts of its property within the range specified by law. An audit in this regard serves to check whether: bookkeeping includes all the school property, including foreign and borrowed property; property has been registered properly; and all the property has been inventoried.

A school is obliged to ensure that a debtor settles all payments correctly and on time. If a debtor delays in fulfilling his obligations, the inspected entity is obliged to ensure that interest is added and claimed properly. An audit in this area serves to check whether: a school manages record-keeping and debt reclaiming; a debtor fulfils all his duties on time; interest has been claimed in cases of delayed payments; agreements on instalments or their postponements have been concluded in accordance with the Law on Universities; and the conditions of refraining from claiming a debt have been fulfilled pursuant to the law.

During property audits, auditors encounter repeated violations of the law. The following are examples of the most frequent findings:

- A university is obliged to keep records of its property in accordance with the law and use all legal means for its protection against damage, loss, abuse and theft. An audit of the accounting documents of University H revealed that in several cases, the purchase of long-term tangible property had not been filed correctly in the bookkeeping records. Under one inventory number, several property items were registered – for example, two oscilloscopes and their accessories for a total amount of SK 151,400, two PC suites for SK 60,000 and two computers for SK 52,000. The audit also revealed that not all donated property had been registered. These undertakings were in breach of the official legislation. Simultaneously, they created an opportunity for corruption or the theft of university property, as these items were not included in the total number of properties, and therefore no material responsibility for the property had been assigned.
- Some universities let other bodies use their properties free of charge, which is in breach of the official legislation. It also represents a loss of income for the university, as they gain no financial means to cover overheads, such as heating, electricity and security. Inspectors often find that lecture halls are lent to private companies for training activities.
- In accordance with the law, universities are obliged to ensure the registration of their immovable property at the Cadastre Office. The audit of property recorded in university bookkeeping records and in other documents submitted repeatedly revealed failure to register immovable property at the Cadastre Office. During an audit of University I, it was found that the Rector's office building, the laboratories, the operational building and the halls of residence were not registered at the Cadastre Office.
- In the case of University J, the audit of accounting documents showed that long-term tangible property, such as furniture and safety signalization, in the amount of SK 922,872 were purchased from the running cost fund, in violation of the subsidy contract for this fund (see *Table 2.2*). Moreover, articles of consumption were financed from the capital investment fund for the amount of SK 88,993. All these funds had to be returned. Finally, several purchases of

long-term tangible property were not properly filed in the bookkeeping. Investments in the total amount of SK 28,800,000 were posted but had yet to be supported by account documents. Many accounting mistakes had also been made.

Table 2.2 Subsidies allocated to and used by University J, 2002-2003

	Budget 2002 (Sk)	Used, 2002 (%)	Budget 2003 (Sk)	Used, 2003 (%)
Subsidy (in total)	156,027,000	97.22	236,388,000	97.86
Running costs	102,195,000	97.13	159,184,000	98.67
Capital investments	53,832,000	97.41	77,204,000	96.19

Source: SAO.

Audit of public procurement

Every year, the SAO of the Slovak Republic records that the Law on Public Procurement is one of the most frequently violated laws in Slovakia. This law covers a large volume of financial means belonging to the state, public administration and the other organizations connected to the state budget means. It represents approximately 10 per cent of GDP. In accordance with this law, universities are responsible for the delivery of goods, such as the purchase of computers, transport means, and office equipment, for services, such as advisory, legal, and catering services, and for work, such as investment, construction, reconstruction, and modernization work. The precise starting sum is specified by the Law on Public Procurement.

Being a provider to the state sector is advantageous for some suppliers because large orders are made, payments are generally reliable and regular, and orders are repeated and therefore stable. These factors contribute to reduced or entrepreneurial risks at an acceptable level, making public procurement for the state sector an attractive enterprise.

Main principles

The main principles of public procurement that have to be observed by procurers are as follows:

- *Efficiency and effectiveness in expending funds:* This serves to reduce reckless spending of state financial means and, at the same time, to meet the highest level of needs possible within the available funds. The main area of concern is price, with the goal being to gain the maximum possible output for the minimum possible input.
- *Non-discrimination in the tendering process:* All entrepreneurs, both domestic and foreign, who comply with the conditions for participation have the right to participate in a tender and compete for a public order, and they must not be excluded from the public procurement process.
- *Transparency:* In the public procurement process (mainly on part of the procurer), transparency is a condition for the support and development of a competitive environment. The observance of this principle helps to ensure identical conditions for all participants in public procurement and creates standards for the prevention of corruption and bribery.
- *Responsibility:* Those responsible for public procurement must insist on set conditions and, at the same time, bear responsibility for the failure to fulfil their obligations;
- *Comprehensibility:* This is a logical condition for observing the rules of public procurement.
- *Ethics and correct practice exchanges between participants:* This is closely linked to the level of morality and relations in companies.

- *Support of the development of a competitive environment:* This principle is in the interest of all stakeholders. Correct public procurement enables a procurer to use financial means effectively, offers more business opportunities to entrepreneurs and, at the same time, builds public confidence that funds paid to the state budget in the form of taxes are used economically for the purchase of goods, services or work of a desired quality.

Procurement and corruption

According to the OECD, the following are the most serious shortfalls in terms of transparency in public procurement in European countries: insufficient political will to enforce respect for regulations; ambiguous wording of regulations; lack of discipline of workers dealing with procurements; and insufficient audit.

The SAO encounters mainly two kinds of violations of the Law on Public Procurement: 1) ignorance of the law, and 2) the deliberate avoidance of public procurement for certain types of goods, work and services. The reasons for violating the law include the complexity of the law itself, including its interrelated issues: the problems linked to the definition of the subject of the procurement; the selection of a suitable method for public procurement; and the setting of limits on the procurement subject price. The above acts result in opacity in public procurement and, as a consequence, in corruption, bribery and the ineffective use of financial means.

Based on the experience of the SAO and the Office for Public Procurement, it is possible to distinguish four fundamental areas where procurement and corruption overlap:

1. *a person responsible for procurement cheating his employer:* for example, an employee responsible for procurement establishing his/her own firm, which then receive orders or buys from relatives; or a procurer ordering goods or services to meet his/her own needs;
2. *suppliers cheating their customers:* for example, suppliers delivering smaller quantities than had been contractually agreed; suppliers delivering goods of a lower quality than had been contractually agreed; or non-standard contractual conditions;
3. *bidders and procurer cooperating in cheating a procurer:* for example, attempting to avoid a competitive procurement process; or favouring a particular supplier;
4. *a procurer gaining personal profit, to the detriment of a supplier:* for example, a procurer obtaining presents or payments for his personal profit as a display of gratitude for concluding or extending a contract.

Examples of findings

In an audit conducted by the SAO at University K, the university had conducted 36 public procurements over a period of two years. During the first year, the internal auditing body did not conduct an audit of public procurement. In the second year, it conducted three audits, which revealed no problems. However, the subsequent audit conducted by the SAO identified eight violations of the Law on Public Procurement.

At *University L*, a public tender was held for the delivery of computer technology. Four bidders entered the public tender and fulfilled its conditions. A firm offering the price of SK 1,039,227 (including VAT) for the delivery of computer technology was declared the winner. In the public tender documents, six assessment criteria were selected. The audit revealed that in two cases, the selection board did not assess the offer of competitors according to the set rules, thus violating the Law on Public Procurement.

University M invited four business entities to submit price offers for a photocopier machine. The audit of the documentation submitted revealed that the university violated the Law on Public Procurement, as it did not specify the subject of the procurement, by defining the number of required machines or the particular type. Moreover, the invitation did not contain terms for the completion of the public procurement and the deadline for the announcement of results did not have any discernable value. The Assessment Committee also evaluated the price offer for only one type of photocopying machine, when, in fact, three bidders proposed price offers for other types of photocopying machines. The university procured three photocopying machines from a selected winner. Of these machines, no public tender had been conducted for one, of approximately SK 105,000. The audit of the price offers submitted by losing bidders revealed that they had offered the same photocopying machine at a more advantageous price, as much as SK 23,000 cheaper.

In the case of *University N*, four business entities were invited to submit price offers for the printing of an annual brochure. This invitation was however in contradiction with the Law on Public Procurement, as it contained neither the terms of the public procurement completion nor the terms for announcing the results. The audit of the quoted price offers from the three companies revealed that one firm had not submitted the required documents and data. This should have led to the cancellation of the public tender, as only three businesses competed for the bid and, according to the Law on Public Procurement, fewer than four bidders represents an insufficient competitive environment. The University nevertheless went ahead with the public tender.

One of the methods of public procurement is the 'under-threshold' method. According to internal university regulations, a procurer selects bidders on the basis of information on the procurement subject, which is obtained through market research. In doing so, the procurer is to observe the principles of the efficient spending of financial means. The market research is conducted on at least two suppliers via telephone, fax, internet or personal research.

University O bought air tickets for its employees for international conferences around the world. The audit of documents revealed that in several cases, the market research needed to ensure maximum efficiency in spending was not performed. The internet research revealed the air tickets purchased could have been bought at a lower price from other companies.

In summary, external audits conducted by the SAO in universities have revealed that internal audits do not pay sufficient attention to the audit of public procurement.

2.5 Approaches to curb malpractices

In practice, the standard should be that contracts and purchase orders are inspected by the internal audit when they are still running. If this is so, then contraventions can be rectified immediately and not later on, that is, once the financial means have already been paid. Emphasis should be put, for instance, on:

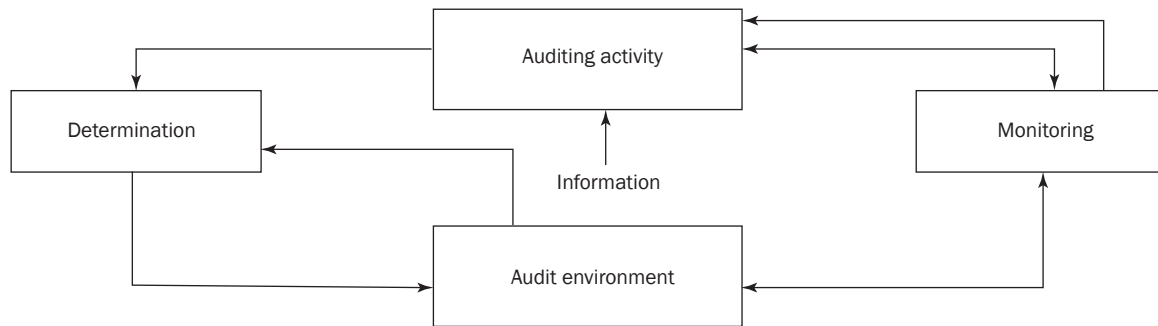
- the audit of the procurement procedure, primarily the selection of bidders invited to submit offers;
- the design of an audit system that specifies additional costs, if they occur;
- the contractual provision for the right to conduct an audit of a supplier and to introduce audit programmes and bookkeeping audits;
- monitoring changes in specifications and the validity of any subsequent price changes;
- the monitoring of invoice settlement.

However, experience shows that this is not sufficient, and that it needs to be complemented by external audit mechanisms, and specific systems of controls targeting procurement procedures.

Internal control systems

Internal control focuses on the audit of the observation of valid legislation, the internal regulations of an entity and the efficiency and effectiveness of operations. Moreover, according to the Committee of Sponsoring Organization of the Treadway Commission (1992), internal control contains five mutually interconnected components (*Figure 2.3*). These are:

Figure 2.3 Internal control system



1. The audit of the environment: this focuses on the functioning of the system of an entity. At the same time, it looks at the management style, the delegation of power and responsibility and the 'ethical values' of employees;
2. Risk assessment: this includes both external and internal risks. It involves risk identification, analyses and management;
3. Auditing activity: this helps to ensure the fulfilment of management instructions, for example, through approvals, verifications and asset protection;
4. Information and communication: this area covers information systems, including information transfer, responsibility for the audit and communication with a third party;
5. Monitoring: this verifies whether an appropriate functioning of the system is maintained. It is achieved through continuous monitoring, periodical assessment or their combination.

According to the INTOSAI Guidelines for Internal Control Standards (June 1992), an internal control structure includes methods, management attitude, procedures and other measures which provide reasonable assurance that the following general objectives are being achieved:

- the adherence to laws, regulations, and management directives;
- the development and maintenance of reliable financial and management data, including their disclosure in timely reports;
- the promotion of orderly, economical, efficient, and effective operations and quality products and services, which are consistent with the organization's mission;
- the safeguarding of resources against loss due to waste, abuse, mismanagement, errors, fraud and other irregularities.

As to integrity and competence, INTOSAI's general control standards call for managers and employees to have personal and professional integrity; maintain a level of competence that allows them to understand the importance of developing, implementing and maintaining good internal controls; and accomplish the general objectives of internal controls when this general standard is not adhered to, which can otherwise lead to weak internal control situations involving large monetary values.

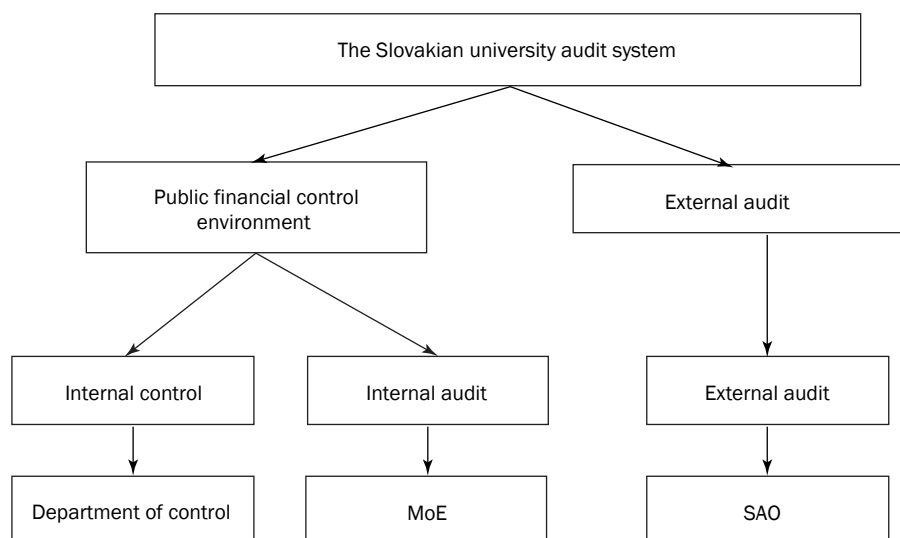
Standards also suggest that specific control objectives are to be identified or developed for each ministry, department or agency activity. These are to be appropriate, comprehensive, reasonable, and integrated into the overall organizational objectives. In addition, standards specify that managers are to continually monitor their operations and take prompt and responsive action when irregular, uneconomical or ineffective operations are discovered.

To help achieve control objectives and an orderly and effective internal control structure, INTOSAI's internal control guidelines provide detailed standards covering adequate documentation, the promotion and correct registration of transactions and events, the authorization and execution of transactions and events, the separation of duties supervision, and access to and accountability for resources and records (*Appendix 4*).

The Slovak legislation defines an internal control in the state administration as a system that inspects the fulfilment of tasks by state administration bodies and it's functioning at all management levels. It consists of the control activities of chief audit bodies and their head employees, including expert and audit divisions.

The university audit system in Slovakia is illustrated in *Figure 2.4*.

Figure 2.4 The Slovakian university audit system



Internal control that functions correctly is of benefit to a university, and also to society at large. It is regarded as an important managerial instrument, as it provides management with vital information needed for decision-making and enables the uncovering of situations that could cause transgressions in the future. At universities, controls need to be performed on a permanent basis so as to ensure a quick reaction to adverse developments and contraventions of the law. They must also be conducted purposefully and in a coordinated manner, and be linked to the results of previous audits in order to verify that measures adopted have been implemented.

Internal control consists of planned and supplementary controls of management, as well as thematic and functional controls. The university internal control system is created by a rector, academic functionaries, university chief executives, including their expert departments, as well as internal control department staff. These staff members are responsible for its activities and functioning.

An effectively functioning internal control system in a university fulfils several tasks, including assisting in the gathering of reliable information, helping to achieve set goals in the most efficient way, checking that all operations are conducted legally and preventing loss of resources.

External audit mechanisms

The SAO conducts audit of the internal control system in each inspected entity. Based on auditing experiences, it can be stated that most universities have a low level of internal control, as shown by the following examples:

- *University O* has instructions for conducting internal audits. According to these, a rector and a control department, directly managed by the rector and chief executives, are responsible for the functioning of the internal control system. An audit by the SAO revealed that the system is not functioning properly because during a period of 18 months only one control was conducted, which did not detect any contraventions. In fact, contraventions had been uncovered in the areas of travel cost accounting and cash bookkeeping. Second, the university follows audit plans, which it drew up itself, covering a period of two years, with as major goal to carryout effective audits so as to enhance the quality of personnel work and economic activities; conduct functional control in the management area, within the framework of the internal control system; fulfil the requirements of the government's 'Clean Hands' programme; and ensure continuous controls of chief executives. The SAO audits also revealed many serious errors in the management of the state budget funds and the administration of the property of the university, which had not been identified by the internal control system. Although the control plans were well structured, they were just for show. For example, in practice, staff had not been allocated tasks in the area of internal control, which is vital for the effective enforcement of the plans. Assessments of the implementation of the control plans were carried out simply by formality. And the 'Clean Hands' programme had not been assessed by responsible employees.
- In 2000, the SAO carried out an audit at *University P*. The university took measures to remedy the weaknesses, errors, omissions, shortcomings and irregularities identified during the audit (which represented SK 30,000,000). In 2004, the SAO carried out a second audit. The situation had improved: there were irregularities only in the amount of SK 290,530 and the internal control system functioned more effectively. Globally, the audits have thus helped to reduce opportunities for corruption.

Creation of an Office for Public Procurement

A major initiative in the battle against corruption in Slovakia was the creation of the Office for Public Procurement on 1 January 2000. This Office is the central body of the state administration in the public and concession procurement area. Resolving problems in the area of public procurement is in the hands of procuring organizations and their superior bodies, and depends mainly on improving public procurement processes and quality management.

In this context, the most efficient way of combating corruption in this area consists in increasing transparency through:

- a positive mass media policy by the Office for Public Procurement, aimed at informing the public about the goals and principles of public procurement;
- an increase in knowledge, not only by publishing an official procurement journal, but also by using the internet, which can be updated regularly;

- the regular publication of decisions on justified objections on the internet;
- the publishing of sample documents, technical specifications, trade conditions for goods and services and other aids that facilitate the preparation of materials and conditions for a tender on the internet;
- the training of the employees of the Office for Public Procurement and persons qualified in ethical code issues, who are also specialists in anti-corruption behaviour.

Concluding remarks

In order to respond to the challenges to development posed by corruption, an understanding of its causes is required. From an institutional perspective, corruption arises where public officials have wide authority with little accountability and perverse incentives. This means that the more activities are regulated or controlled by public officials, the more opportunities exist for corruption. Furthermore, the lower the probability of detection and punishment, the greater the risk of corruption taking place. The lower the salaries, rewards for performance, security of employment and professionalism in public service, the greater the incentives for public officials to pursue self-serving rather than public-serving ends.

From an institutional viewpoint, corruption needs to be fought by reducing the role of government in economic activities in order to limit authority; by strengthening transparency, supervision and sanctions in order to improve accountability; and by redesigning the terms of employment in public service to improve incentives.

Guaranteeing an effective and qualitative university internal control system is also vital. In audit reports, the SAO usually highlights weak internal control systems and irregularities as the cause of major problems. A strategy to overcome this consists in building effective internal control structures in accordance with INTOSAI guidelines.

Universities have stressed that building effective internal control structures requires the following critical elements: legislative underpinnings; internal control standards; managers who accept primary responsibility for effective controls; periodic internal control self-assessments by managers; internal audits of controls; and a supreme audit organization that is engaged in establishing and reviewing internal control systems.

Legislative underpinnings

As discussed in the INTOSAI internal control guidelines, legislators should set the overall objectives that the internal control structures should achieve and delegate the responsibility of establishing internal control standards to a central organization.

Management's responsibility

All managers should realize that a strong internal control structure is essential to the management of their organization, as well as for its mission, operation and resources. INTOSAI member countries have experienced the need for focusing managers' attention on their responsibilities in the implementation of effective internal controls and the continuous maintenance of a positive internal control environment.

Self-assessment

Countries should concentrate on preventing internal control breakdowns before they occur. In this context, a primary objective consists in preventing errors or irregularities from occurring in

management or financial information, and if any have occurred, to uncover them. Several countries require managers to periodically undertake self-evaluations of internal control operations. Guidelines recognize this practice as useful for ensuring that controls for which managers are responsible continue to be appropriate and are working as planned.

Internal audits

Management often establishes an internal audit unit as part of its internal control and self-review framework. In this tradition, most INTOSAI members find the role of internal auditors to be a critical part of an organization's internal control structure.

Supreme auditor's responsibility

The key roles of supreme auditors are: to establish internal control standards; to create a solid internal control framework; to work with internal auditors; and to evaluate internal controls as an integral part of both their financial and their performance audits.

In sum, the Supreme Audit Institution should gear its work toward assessing the adequacy, in principle, and the effectiveness, in practice, of existing internal controls in audited organizations.

3 Ethical issues and examination systems in Ukraine

Liliya Hrynevych

Societies are now fully aware of the important role that education has to play in the development of a country. In this context, the question of education standards has become an important issue throughout the world. In Ukraine, more specifically, the absence of external assessment of secondary school student achievements and demand for its introduction made it necessary to seek effective assessment models and the best ways for their implementation.

There were many interdependent problems linked to the absence of external assessment. For instance, it made it difficult to assess the educational attainments of students objectively, and this, in turn, made it difficult to compare results at local, regional and national levels. Compensatory programmes could therefore not be developed for levelling the 'life chances' of students from different regions and social groups in order to provide them with equal access to high quality education. Moreover, it was impossible to compare results at international level and to evaluate the quality of the national education. These factors were however necessary for the development of a coherent and comprehensive policy towards the improvement of educational quality, in particular as regards the assessment of the educational achievements of students.

The Ministry of Education and Science (MoES) of Ukraine, with the financial and professional assistance of the International Renaissance Foundation and within the framework of the Testing Technologies Centre (TTC) project, conducted a pilot external testing of students' educational achievements between 2002 and 2005 (Order of the MoES No. 409, 17 July 2003). The aim of the experiment was to set up a system of external standardized testing that could ensure equal access to higher education and a system of monitoring the quality of education in Ukraine. Following the completion of the TTC initiative, the state system of external assessment was implemented in 2006.

This chapter presents a review of the multi-faceted experience of introducing such external assessment reform in Ukraine, which included conducting a wide advocacy campaign, building a technological cycle of standardized external testing and training specialists in the new system of external assessment set in place.

3.1 Assessment reform in Ukraine

General information about the Ukrainian education system

The education system in Ukraine encompasses the following levels: pre-school education, general secondary education, extra school, vocational education, higher education, post-graduate education, post-graduate studies and self-education. These are based on the following pieces of legislation:

- the Constitution of Ukraine (1996);
- the Law on Education (1991);
- the Law on General Secondary Education;
- the Law on Pre-school Education (2001);
- the Law Vocational Education;
- the Law on Higher Education.

The educational levels in Ukraine and their equivalents established via the International Classification of Education (ISCED) standards (1997) are presented in *Table 3.1*.

Table 3.1 Education levels, level categories and respective age groups

Education levels in Ukraine	Duration of the level	Educational levels according to ISCED
Pre-school education		Level 0: Pre-primary education
Primary general education	4 years	Level 1: Primary education or first stage of basic education
Basic general secondary education	5 years	Level 2: Lower secondary or second stage of basic education
Full general secondary education	3 years	Level 3: Upper secondary education
Vocational education	2-3 years	Level 4: Post secondary non-tertiary education (programmes 4B)
Basic higher education	2-3 years	Level 5B: First stage of tertiary education
Full higher education	4-6 years	Level 5A
Post-higher education (graduate studies, doctorate, post-doctorate)		Level 6

Pre-school education (ISCED level 0)

The Law on Pre-school Education (2002) states that “pre-school education is the first compulsory level of the educational system”. If parents want their children to go to pre-school in their community, the school must accept their application. Pre-school education is provided for children aged 2 months to 6-7 years, in public or private schools. There are separate schools for children who need additional care, such as children with disabilities, orphans, and children whose parents have lost the right to take care of them. The basic guidelines on pre-school education comprise requirements on the content of pre-school education. Schools are also required to provide social care for children, such as adequate nutrition to children up to the age of 2. According to the Law on Pre-school Education, children with disabilities have the right to attend school following a flexible schedule. However, the decision to enrol children with disabilities in educational establishments can only be made on the basis of a psychological medical pedagogical consultation (PMPC).

General secondary education (ISCED Levels 1-3)

Based on a comparison with the ISCED standards, general secondary education in Ukraine encompasses the following levels: primary general education, basic general secondary education, and full general secondary education. For some years, secondary schools did not respond to the diverse needs of general secondary education. Thus there was a need for reform, which led to the development of different forms of educational establishments, such as gymnasiums, lyceums, collegiums and special schools for gifted children.

General secondary schools can be public or private. They provide different specialized programmes in primary, basic and full secondary education. The different specialized programmes also include gymnasiums (Level II and III), lyceums (Level III), collegiums (Level III), boarding schools for children who require social assistance, boarding schools for children with disabilities, evening (shift) schools and others.

The transition of students between all levels of general secondary education is based on the results of their annual assessment, which must not be lower than the average level. Students who score below average can either enrol for an additional year at the same educational level, be placed in a special education institution or receive education at home. The PMPC decides upon student placement.

Vocational education (ISCED level 4)

The main goal of vocational education is to provide professional development and complete general secondary education for students who were not able to graduate from secondary schools. About one fourth of students who do not complete general secondary education (following Grade 9) complete it through vocational education. The curriculum at vocational education includes not only the vocational/technical content, but also a curriculum that is identical to that in Grades 10 and 11 of general secondary schools. The quality of instruction is, however, lower and the curriculum does not reach the level of Grade 12. Education at this level is based on the state standards on vocational education and the standards of specific professions in this area. Students who graduate from a vocational education institution receive the title of 'qualified worker' or 'junior specialist'.

Higher education (ISCED Levels 5-6)

With some 1.3 million students in universities, academies and institutes at Levels III and IV of accreditation and 0.5 million students in technical and other colleges (that is, institutions of levels I and II of accreditation), Ukraine is included in the group of higher education mega-systems.

The previous Ukrainian examination system

In the Ukrainian examination system prior to changes to the assessment system, students were admitted to higher education establishments on the basis of their examination results, regardless of the form of funding of higher education establishments and of student education. Higher education establishments educated students to their level of accreditation (LOA): junior specialist and holders of Bachelor's and Master's degrees.

Table 3.2 summarizes the main characteristics of the previous Ukrainian examination system.

Introduction of a new assessment model

In view of the current trend towards democratization of the general education system in order to meet the demands of society, Ukraine has started to improve its assessment system for secondary school student performance. This is considered to be one of the principal means of ensuring a high-quality education.

Since the 2000/2001 school year, the MoES has thus been introducing a new assessment model that has shifted the emphasis from measuring a student's range of knowledge to assessing the competency skills acquired by a student at school and from student failure to student accomplishment. Despite all the positive changes happening in this sphere, Ukraine does not yet have the means to diagnose the results produced by its educational system with full objectivity. The main issue appears to be the absence of external student achievement assessment.

In contrast to internal assessment (conducted by subject teachers or by a group of subject teachers, at group, class or school level, and on the basis of tasks set by the teachers themselves), external student achievement assessment provides an assessment of the level of student progress, using standardized tests set by individual institutions. The test can be administered at the national or regional level, usually on the territory of independent institutions, with involvement of their employees and by means of unified procedures of assessment and results processing.

Table 3.2 The previous Ukrainian examinations system

Level (age)	Primary schools (6-9)	Basic schools (10-14)	High schools (15-18)	Past trends	New trends
Standards	Yes	No	No	State standards for basic and high schools were developed.	At present, curricula are used as standards.
Legal framework for assessment and evaluation		Yes		The internal assessment and evaluation of students were assigned to schools through the Education Law.	A legal framework for external assessment is now being developed.
Institutional framework for assessment and examinations	No	Yes	Yes	Continuous assessment was carried out by the schools. School examinations took place as compulsory leaving examinations in basic and high schools.	The new external assessment model foresees written final examinations in two subjects set by TTC. Currently, results are independent of school marks but students can choose either mark as a final one. TTC mark is accepted by four pilot universities in place of their entrance examinations to predetermined faculties.
Professional Instruments:					
Student monitoring system	Yes	Yes	Yes	All students were registered and their marks appeared in the class register book. In addition, all students had a personal journal to ensure self- and parent monitoring. There was no national monitoring system.	
Examinations	No	Yes	Yes	School leaving examinations were set by the MoES, and then administered and evaluated by the schools. At primary level, examinations were not conducted.	Within the framework of the pilot project alternative external examinations at the end of high school have been set. They are administered and evaluated by TTC with the approval of the MoES.
Regional/ National Assessment	Yes	Yes	Yes	Periodically, central and regional inspections of attainments took place at all school levels in the form of tests. They were evaluated by schoolteachers and had no impact on policy.	
Subject Olympiads	No	Yes	Yes	School-based, municipal, regional and national competitions between individual students were organized in all school subjects.	
International comparisons	No	No	No	Ukraine had never participated in PISA, EIAP, TIMSS, PIRLS, SITES, etc.	

Test and question formats	In primary schools, assessment was teacher-led and continuous (oral and written). In secondary school, teachers may used any form of assessment (oral or written) to give mid-term, term and final marks. There were also final national examinations in certain subjects at Grades 9 and 11. Subjects were approved by the MoES every year by means of a special document. The lists of examination questions were published and made publicly available. The examinations could be oral, written or both, depending on the nature of the subject.	Now TTC conducts external written examinations in mathematics and history after Grade 11, which leads to a school-leaving qualification. Students choose whether they take the TTC or school mark as a final subject mark. Standardized tests supplied by TTC are of three formats: 1. multiple-choice questions, 2. short answers, 3. open questions.
Grading scale	1 to 12 (1 being the lowest and 12 the highest).	
Emphasis of assessment	Assessment was teacher-led and continuous.	In Grades 9 and 11, examinations have been set for the purpose of certification.
Financing of examinations	The costs of national school-based examinations were not high. They were paid by the Ministry.	The costs of TTC external examinations (the pilot project) are currently covered by the International Renaissance Foundation.

The problems linked to a lack of such external student achievement assessment impact on the interests of both students and society in general:

- at the *student level*, it is apparent that internal assessment (which is based upon the subjective judgements of teachers) without external assessment creates difficulties: first, there is no objective measurement of student development that could provide a timely diagnosis, enabling adequate measures to be taken to overcome existing problems; and second, there is no objective certification that could provide a real picture of student performance and make school-leaving certificates relevant, thus giving students equal opportunities for lifelong learning;
- at the *national level*, the absence of external assessment makes it impossible to collect information about links between educational results and resources input, and thus about the efficiency of the functioning of the educational system in general, and to produce appropriate educational policies, in particular to provide assistance in difficult zones, as is done in Educational Priority Zones in the United Kingdom or Zones d'Education Prioritaires in France).

Ukrainian society is fully aware of the problems generated by the absence of an external assessment system. The results of a poll of participants in regional seminars (conducted in Cherkasy, Mykolayiv, Ternopil and Luhansk, December 2002) illustrate this.⁵ In answer to the question: "Do you consider it expedient to preserve the existing system of assessment (without introducing external assessment)", most of the responses were negative (Table 3.3).

Table 3.3 External assessment of student achievements*

	Cherkasy	Mikolayiv	Ternopil	Luhansk	Total
No	68%	31%	75%	58%	55%
Partly	21%	44%	0%	37%	31%
Yes	11%	25%	25%	5%	14%

* Results from an opinion poll in response to the question: "Do you consider it expedient to preserve the existing system of assessment (without introducing external assessment)". Presented during an IIEP/OSI sub-regional workshop held in Kiev, October 2005.

Source: International Renaissance Foundation, 2005.

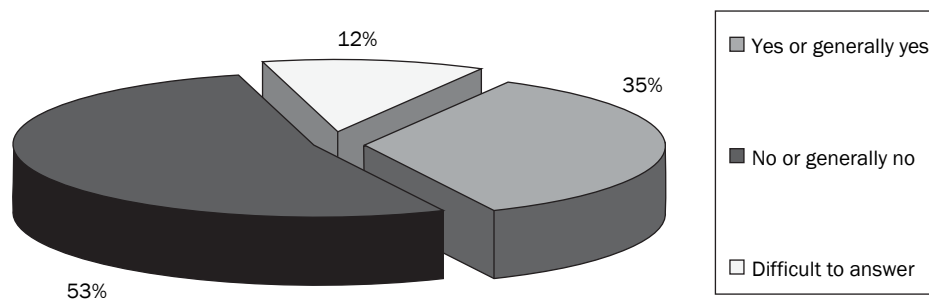
The limited number of respondents and the focus on a small number of target groups (secondary education employees) is, of course, not representative of society as a whole. At the same time, the data obtained demonstrate an understanding by educational stakeholders of the unsuitability of the existing system of student assessment and of the necessity to introduce more objective control of student achievements (MoES/UNDP, 2003).

Another poll, carried out to survey the attitudes of young people (another target group) towards the existing system of school leaving and higher education entrance examinations, showed that a considerable number of young people are aware of the unsuitability of the current assessment system and the need to introduce mechanisms of objective assessment. The poll was initiated by the TTC project of the International Renaissance Foundation and was conducted by the Social Monitoring Centre, jointly with the Ukrainian Institute of Social Studies. It was conducted in ten oblasts in Ukraine, which represent its main regions, as well as in the Autonomous Republic of Crimea and the city of Kyiv. In total, 2,007 respondents, aged 14-28 years, were questioned. The

5. These seminars were organized within the framework of the project "Education Innovation and Renewal for Improved Well-being and Poverty Reduction".

answers were given in response to the question: “Do you consider that the exit examinations in secondary educational institutions fulfil the function of objective monitoring of school graduate knowledge?” and are shown in Figure 3.1. As can be seen from the figure, more than half of Ukrainian youngsters considered that the leaving examination system in secondary schools did not fulfil the function of objective monitoring of the level of knowledge of school graduates. They also felt that it did not fulfil the function of objectively monitoring pupil achievements.

Figure 3.1 Ukrainian young people’s opinion of secondary school exit examinations*



* Based on answers given in response to the question: “Do you consider that the exit examinations in secondary education institutions fulfil the function of objective monitoring of school graduate knowledge?”
 Source: International Renaissance Foundation.

As a matter of fact, no internal examination system is fully transparent or provides objective assessment of student knowledge. Cheating in various forms can take place at schools during the examination. Teachers often feel obliged to ‘help’ students. Furthermore, universities conduct entry examinations that differ significantly from one another in terms of content, structure, requirements and procedures, and there is no examination coordination between universities. There is therefore a pressing need to create equal opportunities for all school graduates to enter higher education institutions.

3.2 Development of external standardized testing

In view of the shift in the general educational paradigm towards democratization, orientation towards the individual learner and the need to respond to the new demands of society, the Ukrainian Government has started to reform the assessment system of secondary school students. This is now considered to be one of the principal means of ensuring the quality of education.

Key objectives of the examination system reform

At the time of the examination system reform, the educational sphere in Ukraine was undergoing a significant transformation. This manifested itself in the emergence of new forms and methods of teaching, as well as new types of educational institutions. Simultaneously, Ukraine’s socioeconomic situation had broadened the disparities in the quality of educational services and access to them. Under these circumstances, monitoring the quality of education took on a special significance. It was thus felt that objective comparative information about the level of educational achievements would result in the emergence of well-grounded education policy recommendations. These could become the foundation for improving educational processes, as well as updating the content of education and of teaching methods. External testing could serve as a tool for obtaining such information, conducting examinations and processing results outside educational institutions.

History of the reform

During the 2000/2001 school year, the MoES introduced a new assessment model, indicating a shift from measuring the degree of knowledge acquired by a student towards the assessment of his/her level of skills and competencies mastered. There was also a shift in focus from students' failure to their positive achievements. A new grading scale from 1 to 12 was introduced. Furthermore, in 2002, the National Concept on Education in Ukraine affirmed the importance of improving access and equity in education, raising educational quality and establishing a network of quality monitoring centres.

Notwithstanding all the above positive changes, without external assessment of student achievements, Ukraine did not have the capacity to make an objective evaluation of the output of its education system or to use such results for diagnostic purposes.⁶

In this context, the External TTC project developed the idea to promote the changes planned by the MoES, with the support of the International Renaissance Foundation (IRF). The goal was to pilot the possibility of setting up a system of external standardized testing, aimed at creating conditions for equal access to higher education and adequate monitoring of educational quality in Ukraine. The project was implemented in close co-operation with the MoES. The Ministry thus provided normative support, with the adoption of the Order No. 409 dealing with the experiment on an external testing of student educational achievements (July 2002). It also endorsed external testing certificates and provided premises for the TTC.

The implementation of the TTC project raised the awareness of other state authorities on the need to reform the examination system by introducing external testing. Moreover, it showed the way to creating an effective mechanism for monitoring the quality of education in Ukraine. The Action Programme of the Cabinet of Ministers of Ukraine (2003) thus stipulated that a system of external evaluation to monitor the quality of education was to be introduced. As funding for the external testing system had not been included in the 2003-2004 state budget, the project staff negotiated funding for its implementation from the MoES. They also requested a loan from the World Bank.

Mobilization of major actors

A normative base for the conduct of external testing has been developed by the TTC project. The technological cycle for external testing has also been developed and piloted. This includes test preparation, the conduct of examinations and the processing of results. The physical TTC has also been created, together with four regional testing centres, based in pilot universities: in Kyiv, Lviv, Odessa and Kharkiv.

The presupposition was that the TTC would be responsible for creating the model, organizing various relevant activities, carrying out the technological preparation and ensuring the conduct of external standardized testing. Overall this consists of:

- developing a technological cycle for testing;
- organizing the development of uniform standards of programme requirements;
- organizing the development of test questions and specifications, including the creation of a test base, the standardization of test tasks and the preparation of examination variants;

6. In 1994 Ukraine had undertaken an unsuccessful attempt to introduce standardized testing of school graduates. Among the reasons for its failure were low-quality test items, the absence of an independent centre to administer testing, as well as wholesale violation of procedures by schools, which were not ready for this type of assessment.

- developing software for the creation of a database and for the processing of test results;
- forming a unified database of graduates;
- preparing and publishing information syllabuses and instructional materials;
- organizing the training of participants in the testing procedure;
- printing examination materials and ensuring their secrecy;
- developing schemes for transporting the examination materials;
- preparing normative documents and methodological materials;
- administering the computer processing of test answer sheets and evaluation forms;
- developing the grading system;
- bringing together summary primary points;
- scaling the results jointly with the MoES so as to convert them to a 12-grade system of evaluation;
- formalizing and sending certificates with test results;
- forming a representative sample selection for national measurements;
- processing national results;
- publishing analytical reports on national measurements.

Moreover, TTC is responsible for ensuring information support for external standardized tests, popularizing the idea of objective evaluation and promoting a public consensus as regards its nationwide implementation.

The regional centres are responsible for:

- producing standardized test items (open and closed types) in mathematics and history;
- administering the external testing programme (that is, the pilot, the certificate and university entry examinations) in mathematics and history in four regions of Ukraine;
- marking open questions using trained examiners.

Implementation stages

The establishment of the national system of external assessment began with the experiment on the external testing of the educational achievements of students (Decree of the MoES of Ukraine No. 409, 17 July 2002). The experiment was conducted from 2002 to 2005, with the financial and expert support of the TTC project of the International Renaissance Foundation.

Several training sessions were organized for groups working on the development of test items and their standardization, as well as for those carrying out the test analysis. This harnessed the expertise of external specialists from Lithuania and local experts from the Ministry of Health Testing Centre (who had already developed a successful testing programme for fifth-year students). As a result of a series of seminars and conferences, the capacity of TTC members and regional centres increased significantly. In addition, study visits to other countries with similar testing experiences helped to build expertise.

TTC external testing was conducted on the principle of the voluntary participation of students, schools and universities. The confidentiality of results was guaranteed. The results of external testing could be considered by every school as a state attestation and as an entrance examination to a particular faculty by the universities that participated in the pilot. Students who did not get the chance to take a test or were not satisfied with their results could re-take the test in July, at the time of entrance to universities. A survey of 1,800 participants of the pre-pilot external testing conducted in March 2003 showed unanimous interest by young people in the possibility of undergoing external testing of their educational attainments. They also wished to broaden the

scope of subjects tested. In short, the students had great expectations regarding the objective nature of testing and the opportunities this would offer for increasing the transparency of the entrance procedures to higher education institutions.

It was intended that the TTC project would be developed in the future by extending the bank of standardized tests to include more subjects; extending the network of regional testing centres; and increasing the number of higher educational institutions that accept the results of external tests in place of their own entry examinations.

Another important field of the project development was the use of effective and efficient technologies for mass external standardized testing for the measurement of national educational standards. Testing the achievements of a representative sample would provide objective information for analysis. Such evidence would enable the formulation of recommendations for future educational policy in Ukraine. The technology of external assessment, which had been tested at the pilot stage, proved to be an efficient instrument to reform the exit/entrance examination system, which had previously not fulfilled its functions.

In 2003, for the first time in Ukraine, two sessions of external testing of the educational achievements of school graduates were held on the basis of voluntary participation. On 22 March 2003, again for the first time in Ukraine, a technology of external testing was piloted on 1,800 students and 300 educators. Later, on 10 May 2003, external certified testing in mathematics and history was conducted in Kyiv, Lviv, Odessa and Kharkiv. A total of 3,121 students from 670 schools across Ukraine participated. The results of each student were, upon their approval, considered by their school as the final attestation of the state and, at the same time, as support for their university entrance application, if the university they wished to enter was participating in the experiment. In July 2003, external entrance testing was conducted for students applying to departments put forward for the experiment by universities. These students had either not been given the opportunity to take the test in May or were unsatisfied with their scores.

After the negative experience of national testing in 1993, the MoES adopted a careful approach to define the number of participants and select the location of the experiment, by selectively choosing the participating higher educational institutions. It also drew on lessons that had been learned on how to properly ensure the validity of testing materials, create evaluation scales, adhere to the testing procedures and mark the tests.

The proposed experimental system of external testing was based on the recommendations of the World Bank for reforming the state examination systems.⁷ The best international experience and expertise were mobilized on this basis. Test items and procedures were developed and scrutinized by specialists from the Pedagogical Academy of Ukraine; the MoES; the National Kyiv-Mohyla Academy; the Lviv State University (named after Ivan Franko); the Odessa State University (named after Illya Mechnykov); and the Kharkiv State Pedagogical University (named after Hrygoriy Skovoroda).

The first two sessions of external testing of the educational achievements of students took place in 2003 on a voluntary basis. On 22 March 2003, trial tests aimed at authorizing the technological cycle of external assessment were conducted. A total of 1,800 students and 300 education specialists participated. On 10 May 2003, certified external testing in mathematics and history was conducted in Kyiv, Lviv, Odessa and Kharkiv. A total of 3,121 school graduates from 670 Ukrainian schools participated and obtained certificates on the basis of their test results.

7. See: www.worldbank.org/education/examinations

In 2003, the certificates of external testing were recognized by four universities: the National University of Kyiv Mohyla Academy, the Lviv National University, the Odessa National University and the Kharkiv Pedagogical University. The following year, 27 higher educational institutions joined the experiment and accepted testing certificates as support documents for applications to certain departments. In 2004, 4,480 school graduates sat external examinations. In 2005, the number of graduates taking the test increased to 8,700.

In the year 2006, about 44,000 school graduates from all over Ukraine had a chance to take the external tests in Ukrainian language, mathematics or history, depending on their choice. The testing was administered by the Ukrainian Centre for Educational Quality Assessment, established by the Cabinet of Ministers of Ukraine (Decree No. 1312, 31 December 2005) with the financial and expert support of the TTC and the International Renaissance Foundation. This Centre has nine regional subdivisions: in Vinnitsa, Dnipropetrovsk, Ivano-Frankivsk, Kyiv, Lviv, Odessa, Simferopol and Kharkiv. They are known as Regional centres for educational quality assessment.

According to the Decree of the Cabinet of Ministers, “the external assessment of the educational achievements of secondary school graduates serves as a final attestation of the state and as an entrance examination result for higher educational institutions”. All higher educational institutions, according to the MoES Order on the ‘Conditions for Enrolment to Higher Educational Institutions in Ukraine’, are obliged to accept the test certificates from the external tests.

Within the framework of the above-mentioned Order, an obligatory annual external assessment of educational achievements was introduced in 2007/2008 for all school graduates applying to higher education institutions. University entrants are tested in the Ukrainian language, mathematics and history, as in the previous years. Tests in science subjects, such as physics, chemistry and biology, were also introduced in 2007. Furthermore, external tests are conducted in the form of a paper-based written test, with unified procedures and the same requirements for all students taking the test. The testing materials are prepared by the Ukrainian Centre for Educational Quality Assessment. This is based on the student educational achievement requirements stipulated in the current school programme, as well as the entrance examination programme of higher education institutions. Test items are developed by groups of schoolteachers and university professors. The experience of the TTC project on the development and establishment of the technological basis for the external testing and the best international practices in external assessment have facilitated the development and administration of valid, objective and reliable tests.

3.3 Evaluation of the reform implementation

Major obstacles in initiating and implementing the reform

In order to conduct an objective external assessment on the above-mentioned scale, time was necessary to develop the system, train the specialists, purchase the equipment, ensure informational security of testing and give school graduates the chance to take trial tests. Indeed, it usually takes three to five years to set up a system of independent assessment in a given country.

But the Order No. 1013 of the President of Ukraine, 4 July 2005, on urgent measures to ensure the functioning and development of education in Ukraine, scheduled the implementation of external independent assessment for entrance to higher education institutions for July 2006. The timeframe for the completion of the implementation was thus very limited.

Moreover, the assistance of the Ukrainian Centre for educational quality assessment was not guaranteed, and the financing of the initiative was not planned for in the budget. At the same time,

it was important to facilitate the transition towards new quantitative and qualitative technological solutions, as the scale of testing increased from 10,000 in 2005 to 41,000 in 2006.

In addition, the MoES of Ukraine decided to implement a computer testing system, which had not been used in any country, for a state examination system. Among the drawbacks of computer testing is the high cost involved: a minimum of 195.31 million Ukrainian Hryvnia (UAH)⁸ compared to the cost of paper-based testing, which is UAH 86.5 million.

There was also the problem of inadequate levels of computer literacy among school graduates (only 60 per cent of schools had computer classes at the time), which can become an obstacle to improving access to higher education.

A number of informational materials were prepared on the issue for the MoES, the Ministry of Finance, the Cabinet of Ministers, the Vice Prime Minister and the Secretariat of the President. As a result, the Secretariat of the President initiated discussions on the issue with the President on October 2005, during the course of which a decision was made on the gradual implementation of the external assessment. In November 2005, within the project framework, a working group, which included international experts, submitted a plan for the experimental stage of the introduction of external assessment to the Vice Prime Minister and the Minister of Education and Science for their consideration. The plan contained a list of required activities, timelines and possible risks.

The main risk to the successful implementation of the external assessment system at national level was a delay in the registration of the Ukrainian Centre for Education Quality Assessment, which could have disrupted the process of implementation of activities and led to late and insufficient financing.

The experience of other post-Soviet states that have successfully implemented the systems of external assessment shows that examination reform is always supported by various donor/charity organizations, loans from the World Bank and funds from foreign governments. In Ukraine, there has yet to be consolidation between donors on this important educational reform aimed at fighting corruption. Coordination in this sphere needs to come from the government together with the International Renaissance Foundation, which until today has been providing considerable financial and expert support to the process of introducing external assessment.

Reform results up to 2007

On 30 May and 3 June 2006, external assessment in the Ukrainian language, mathematics and history for 42,000 school graduates was conducted in all the regions of Ukraine by the Ukrainian Centre for Educational Quality Assessment. In total, more than 81,000 tests were conducted in 198 testing points, and 6,300 instructors and 700 examiners were involved in the process. The graduate students could submit the results of their external tests to any higher education institution in Ukraine as their final school result or as that of their entrance examination. Hence testing technology was approved.

The Ukrainian experience shows that in order for external assessment to fulfil its mission of ensuring equal access to quality education, it is necessary to involve all the schools in the process. In 2007, the government thus conducted external assessment of all the school graduates in the country (around 500,000), in the Ukrainian language, mathematics and history. There are also plans to conduct pilot testing in science subjects, namely chemistry, biology and physics. Overall, the scale of testing is around one million school graduates.

8. At the end of 2006, US\$1 was equivalent to about 5 Hryvnias (UAH).

Implementation of the plan showed also the importance of a solid normative basis to be developed to support the process. So far, the following normative legal base has thus been approved as to the implementation of external assessment:

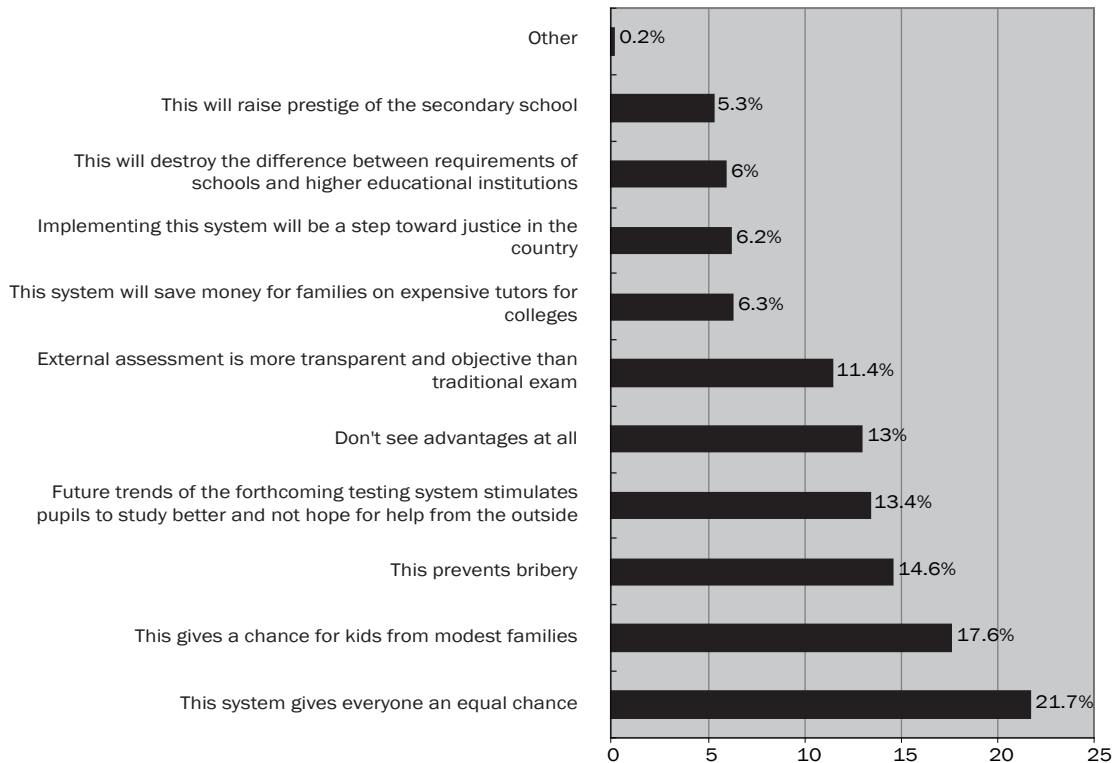
- The *Order of the President of Ukraine No. 1013, 4 July 2005*, on urgent measures to ensure the proper functioning and development of education in Ukraine, presupposed a transition period from 2006 to 2008 for entrance examinations for admission to higher educational institutions to be replaced by an external independent assessment of the educational achievements of students graduating from general secondary education. The Order stressed the need for this system to be financed and for premises to be allocated to the Ukrainian Centre for Educational Quality Assessment and its nine regional subdivisions.
- The *Commission of the President of Ukraine No. 1-1/1199, 1 November 2005*, defined the stages of the implementation of the external assessment: a stage of pilot implementation and system infrastructure building in 2006 and a stage of implementation at national level from 2007 to 2008.
- The *Decree of the Cabinet of Ministers of Ukraine No. 1312, 31 December 2005*, on urgent measures for the implementation of external independent assessment and for the monitoring of education quality, stated that the results from external independent assessment of the educational achievements of secondary school graduates must be considered as a final state attestation of their secondary school achievements, and as marks to be considered for university entrance, in the same way as those of a university examination. This Decree also approved the regulation on the Ukrainian Centre for Educational Quality Assessment.
- The *2006 admission procedures* for institutions of higher education stated that the external assessment must be considered as the equivalent of an entrance examination.
- The *Order of the MoES, 21 January 2006* outlined the organizational measures for preparing and conducting external independent assessment and for monitoring education quality of secondary school graduates in 2006.

Public opinion on the assessment reform in Ukraine

With the support of the International Renaissance Foundation and within the framework of the TTC project, the Kyiv International Institute of Sociology conducted a survey in June 2005 of the entire population of Ukraine to find out their opinion on the implementation of the external testing. This demonstrated quite a favourable situation for conducting examination reform.

The overwhelming majority of respondents (46 per cent) said that they think that there are some advantages in the external testing system. Only 13 per cent did not see any advantages in the assessment reform being implemented (*Figure 3.2*), and 40 per cent found it difficult to outline both the advantages and disadvantages of the system.

Among those who saw the advantages of external testing, most (22 per cent of respondents) pointed out that the system gives equal opportunities to everyone. The next more frequently mentioned advantage (stated by 18 per cent) was that the system allows students from disadvantaged families to enter higher educational institutions. In addition, 15 per cent believed that the system prevents bribes, 13 per cent thought that external testing encourages students to study more rather than count on the help of others, and 11 per cent said that they believe that external testing is more transparent and objective than traditional examinations. Quite a few respondents (about 6 per cent) noted that the system will save money on expensive tutors from higher educational institutions; become a step towards equality in the country; eliminate the gap between the requirements of schools and higher education institutions; and raise the prestige of good secondary schools.

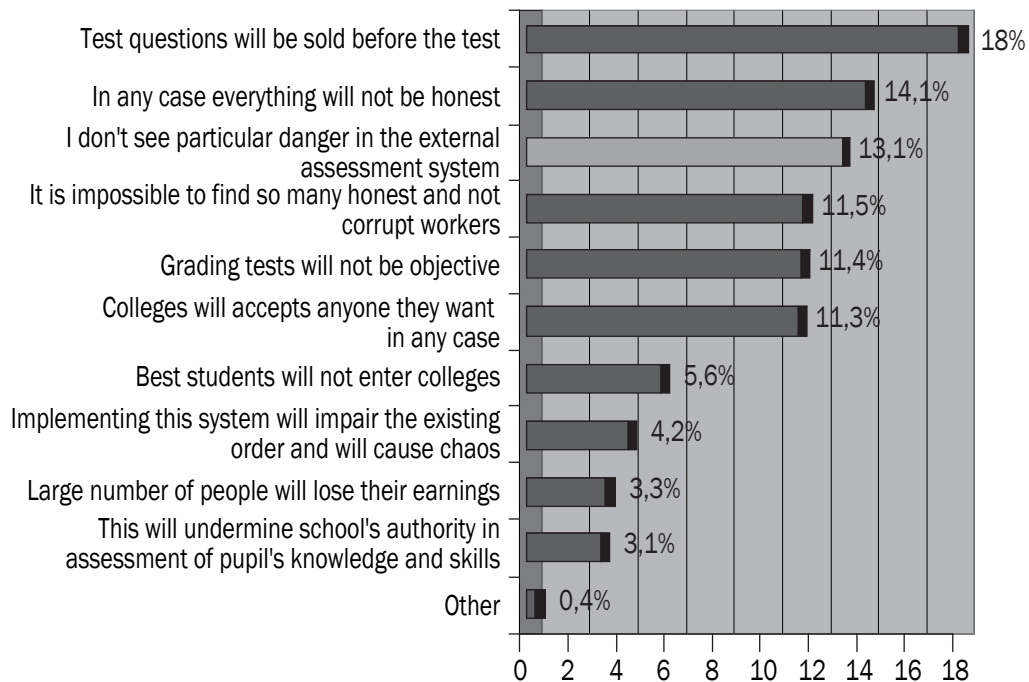
Figure 3.2 Society's perception of the advantages of an external testing system, 2005

Source: International Renaissance Foundation.

Respondents were also asked about the risks and disadvantages of an external testing system (Figure 3.3). Among the possible risks of an external testing system, the most frequently mentioned (by 18 per cent of respondents) was that test materials will be sold before the actual testing. This was followed by fear that the testing process would not always be fair (14 per cent); that the marking of the tests will not be objective; that it will be impossible to find sufficient honest people to work in the system of external testing; and, that higher educational institutions will maintain their right to accept the students they want (11 per cent of respondents).

A significantly smaller number of respondents were bothered by the fact that conducting external tests will hinder the best students from entering universities (6 per cent); that installing the new system will cause chaos (4 per cent); that a large number of people will lose additional income; and that the new system will undermine the prestige of certain schools by assessing the actual knowledge of their students (3 per cent). Thus, the dangers that were mentioned most frequently by respondents concern not as much the system of external testing itself, but the 'human factors' involved in the system: corruption, the absence of a 'code of honour' and the potential misconduct of those working in external assessment and representatives of schools and universities. In fact, very few respondents mentioned any disadvantages of the external testing system itself.

Figure 3.3 Society's perception of the disadvantages of an external testing system, 2005



Source: International Renaissance Foundation.

3.4 Lessons learned and challenges ahead

Lessons learned

The experiences of conducting exit-entrance examinations in most developed and post-socialist countries shows that external testing is the correct instrument for providing an objective evaluation of student knowledge.

The research study on Natural Sciences and mathematics (TIMSS-R) revealed that most countries conduct state examinations in the form of external testing. In 16 countries – including Australia, Bulgaria, England, Finland, France, Germany, Hungary, Italy and Slovenia – examinations have a dual role: they serve as both a final school examination and a university admissions examination. In Germany and France, students are admitted to university on the basis of their final school examination results. The system of external testing has recently been implemented in several post-soviet countries: in Lithuania, Kyrgyzstan, Uzbekistan, Azerbaijan and Russia (Kovalyeva, 2002).

External testing can also be useful in the equally important sphere of monitoring educational quality. Education monitoring is a system of collection, storing, processing and dissemination of information about the system of education, which enables the supervision of its condition and the forecasting of its development. External assessment of educational achievements can provide objective comparative information about student educational achievements. Such information is unbiased, as it is obtained by external institutions using standardized tests, proper administrative procedures and technology for impersonal evaluation.

It is important to differentiate between two kinds of external assessment: 1) examinations aimed at evaluating knowledge on certain stages of schooling; and 2) external assessment of educational

achievements in the course of schooling. Each has a number of special characteristics, which justify the use of their results for different purposes.

Examinations can involve either all graduates, which significantly increases their cost, or a non-representative sample – that is, when they are conducted in the form of external assessment based on the voluntary participation of each student. As a rule, examinations should be conducted in a limited number of subjects, which change very little from year to year. The individual performance of each student is significant. The results of final examinations represent the ultimate assessment of a student's academic level, but without provision for future improvement in the process of education. The reliability and objectiveness of results are important, as results are used for the certification and possibly the selection of students for the following stage of education.

Moreover, a representative sample of students chosen for external assessment makes it possible to analyse the influence of background factors, such as gender, nationality, social status and school location, on the educational achievements of students. Indeed, students have to complete a supplementary questionnaire after test questions during examinations. This enables the identification of problems linked to the content of education (in individual subjects and integrated courses) and of the influence of different socioeconomic factors on the level of educational achievements in the country. The results of these questionnaires can help to stimulate changes in the educational process and lead to an updating of the content and methods of teaching. They also contribute to analytical research into improving national education policy.

In conclusion, examinations conducted in the form of external assessment ensure an objective comparative evaluation of the educational achievements of school graduates, the proper certification of students and, in case of the introduction of a single examination, a transparent process of admission to higher educational institutions.

The challenges ahead

To make a national testing system work as a successful anti-corruption tool, it is important to use relevant technologies and procedures and to ensure efficient public monitoring of the system. As a unified centralized testing system is also open to corruption, there is a need for regulations, which include sanctions for the violation of rules and which provide for oversight mechanisms in this sphere.

The International Renaissance Foundation was a co-founder of the Centre for Testing Technologies and Educational Monitoring, which was created to ensure the development of public monitoring of the state external assessment system. The activities of the TTC project for educators and the public were aimed at raising awareness of the efficiency of external testing in fighting corruption in examinations and of the annual external testing of ever-increasing numbers of school-leavers on a voluntary basis. In fact, the public had to be informed that objective mechanisms exist for assessment for the system to be able to function at national level. The development of draft regulations and planning of key activities related to external testing created the foundation for implementing the system at the national level.

Between March and June 2006, with expert and financial support from the Centre for Testing Technologies and Monitoring of Education Quality, the Ukrainian Centre for Assessment of Education Quality prepared and conducted external testing of nearly 40,000 graduates, in mathematics, history, and the Ukrainian language. Despite this, the public is still insufficiently informed about the role of external assessment and its specific features, procedures and possibilities, and there are still groups in society that are interested in preserving the existing corrupt system of examinations.

In order for the national system of testing to act as an effective anti-corruption tool, it must be based on appropriate technologies and procedures. The system must also be open to public monitoring. It is, moreover, necessary to develop legislation that will define the consequences of violations in this field and ensure efficient mechanisms of public supervision of the functioning of the system. In addition, there is still an insufficient number of specialists in this field, which impedes the spreading of external testing at national level.

Consequently, the priority areas of activity for the Centre for Testing Technologies and Monitoring of Education Quality during the period of establishing the system of external assessment are:

- to develop mechanisms for public monitoring of the external assessment system;
- to inform the public about the criteria of transparency of the external assessment system and about the results of the public examination of the system;
- to develop and conduct training and training programmes for experts in the external assessment system.

In conclusion, even though there is currently a favourable environment in Ukraine for reforming the assessment system, this reform requires a solid technological basis, a wide public information campaign, the development of a normative legal basis on the criteria of objectivity and transparency of the external assessment system, as well as mechanisms for public monitoring of the national testing system.

4 Anti-corruption training in Bulgaria

Constantine Palicarsky

This chapter outlines the importance of using training and education as a tool to promote integrity in the public services and to reduce corruption in society as a whole. It describes Bulgaria's approaches to introducing ethics and anti-corruption training and attempts to analyse their strengths and weaknesses. The study calls for a very practical approach to ethics and anti-corruption training: that is, an approach that moves away from the 'awareness-raising' paradigm and focuses on building skills rather than on putting the emphasis solely on 'values'. Primarily based on the experience of Bulgaria, it also examines the comparative effectiveness of initiatives under way in other countries.

4.1 Background

What are the causes of corruption? This basic question needs to be answered so as to design country-specific instruments to curb corruption. The traditional explanations attribute the spread of corruption to ill-functioning administration, lack of accountability and/or transparency, weak civil society, and sometimes to confusion and thus opportunities for corrupt practice caused by the power vacuum after a huge societal change such as the fall of communism.

The *Klitgaard formula* (Corruption = Monopoly + Discretion - Accountability) (Klitgaard et al., 2000), describes corruption as a consequence of a situation where the public servant has too much discretion and monopoly and too little accountability. This formula seems to describe how corruption risks are generated. But corruption must not be regarded as a direct consequence of these factors. It is important not to confuse the risk of corruption with corruption itself. A perfect example is found in the case of conflict of interest, which is often regarded as corruption, although it only creates opportunities for corruption.

The current trend in administrative reforms puts the emphasis on broadening the discretionary powers of public servants. They stray away from the 'compliance' concept to focus on the needs of the clients: namely, of citizens. In this context, public servants have to weigh concepts such as public interest, private interest and good governance, while exercising discretion. One of the results of this new trend in public administrative reforms is that it becomes increasingly difficult to fight corruption simply by adding new regulations.

Lack of transparency is often cited as a key cause of corruption. It assumes that there is no corruption in transparent organizations. This statement is obviously false. Experience shows that some people commit crimes even when they know that they are likely to be caught and punished. For rational or irrational reasons, they disregard the danger of disciplinary sanctions and criminal prosecution. At the same time, restrictive measures cannot be introduced ad infinitum, as at some point control mechanisms become an obstacle to effectiveness, and their cost become prohibitive.

The participation of civil society is also not a 'cure-all'. There are many examples of NGO-led efforts to address corruption, with little or no success. Activism must be followed by government action

in order to produce change, at least in the countries where the state has monopoly over the use of force. The strength of civil society lies in its ability to generate pressure, channelled through the established democratic process. Where there is no functioning democratic process or where civil society is weak, civic participation remains limited to the implementation of projects funded by foreign and international donors.

An additional indispensable step consists in pursuing and encouraging people to behave ethically, following standards of personal integrity and professional ethics.

The trust issue

The loss of trust in government and disappointment with institutions – and, often, with democracy itself – is a dangerous phenomenon. It has to be addressed in an effective and persuasive manner. The level of trust in a society is directly linked to the level of corruption: “When people perceive government officials to be corrupt, especially when they see the courts as unfair, they lose confidence that the future will look better than the past, and especially that they are masters of their own fate” (Uslaner, 2002). Other factors, such as economic equality and the capacity of the state to govern and to exercise legitimate power, also contribute to building or destroying trust. As far as the former communist states are concerned, they actually become less trusting as they become more democratic (Uslaner, 2002). Democracy in this respect cannot be regarded as a trust-building system.

There are daily scandals, doubts and suspicions, as well as accusations in all democracies around the world. In order to address this issue, a right mixture of measures has to be implemented by civil society, governments and, at times, the media.⁹ Some of these can include the enforcement of anti-corruption and criminal laws, active prosecutions, the development and introduction of preventive strategies and the implementation of effective standards of conduct – that is, codes of ethics.

A substantial part of the effort must also be directed at training, particularly for practising public servants, as well as for future public servants (including in schools and universities) and for society as a whole. The need for training is especially acute in changing societies: transitional societies are characterized by constant change. In this context, training must not be limited to raising awareness, as almost all human beings already realize that corruption is bad. It must, rather, be directed at developing ethical competence and specific skills that will enable individuals to act when confronted with a particular choice.

The changing ethos of the public service

The *ethos* of public service is changing. Although this is happening faster in some countries and more slowly in others, global change is inevitable. The impetus for change is caused by both internal and external factors:

- *Internal factors:* More opportunities for corruption are being created by reforms in the public service, with a shift towards a client-oriented public service, growing pressure for results and the employment of private-sector management practices. This is happening in an environment of devolution and delegated decision-making which further exacerbates the problem. There are certainly many arguments against this new public management approach. There is no

9. The media cannot combat corruption on their own. They can, however, influence corruption perceptions and even generate new perceptions.

doubt, however, that it influences the civil service all around the world, especially in central and eastern Europe.

- *External factors:* Change in societies, especially in the former communist countries, where life was once dominated by a paradigm that disappeared overnight with no immediate replacement, generates uncertainty. In many societies a common understanding about what actions and behaviour are acceptable or unacceptable is lacking. When it comes to professional ethics – the science that gives the answer to the question: “How should I behave in my professional capacity, and in my professional *role*” – this lack of common understanding creates many of the problems in the public service of these countries. These range from a lack of common standards, corruption, unfairness and maladministration, to loss of trust in society. Yet little or no action is taken against those who deviate from universally acceptable standards of behaviour.

A separate problem, unrelated to this study, is the weakness of institutions, especially their ineffectiveness in many post-communist states (what is called the ‘low or zero administrative capacity’).

Addressing the internal and external factors that contribute to change is of paramount importance. A number of countries worldwide are introducing measures to promote integrity and ethics in the public service and stop the decline in confidence and restore trust. This involves the construction of a sound ethics infrastructure, including the socialization of actors through training and education.¹⁰

Can ethics be taught at all?

Many professions – the medical and the law profession, for example – realized a long time ago that there is a need to publicly state the standards required for behaviour. This is in order to create more trust in society, and to regulate and expel the ‘unethical’ members of the profession – that is, those who destroy its reputation. The ethics regulations of professions are clear and explicit, and they are also enforceable and effective. When it comes to the public sector, the need to generate trust is even greater. The conduct of public servants, especially when they are acting in their professional capacity, is not a private issue, it is a public one. The rules regarding their conduct regulate how they exercise their professional duties. These rules are taught to them via public sector ethics training, which also focuses on how they should exercise power professionally and how they can be good and trusted public servants.

There are not many examples of effective public sector ethics training. Lack of proper methodology and the lack of evaluations are not the only problems. Indeed, efforts in this area tend to focus on raising awareness instead of providing practical training on how to avoid misbehaviour. However, experience shows that the focus should be on skills: “If we cannot teach people to be good, we can certainly teach them the skills required to recognize and resolve ethical dilemmas”. Professionals in the public service should thus be given the ability to resolve problems and to adhere to standards of conduct which generate trust. There are three skills that need to be built upon in this regard: (1) the ability to recognize ethical dilemmas and (2) to resolve them properly, (3) through ‘ethical reasoning’.

10. An “ethics infrastructure” consists of eight key elements: (1) political commitment, (2) an effective legal framework, (3) efficient accountability mechanisms, (4) workable codes of conduct, (5) professional socialization mechanisms (training), (6) supportive public service conditions, (7) the existence of an ethics co-ordinating body, and (8) an active civic society (including a probing media) playing the role of watchdog over the actions of public officials (Washington and Armstrong, 1996).

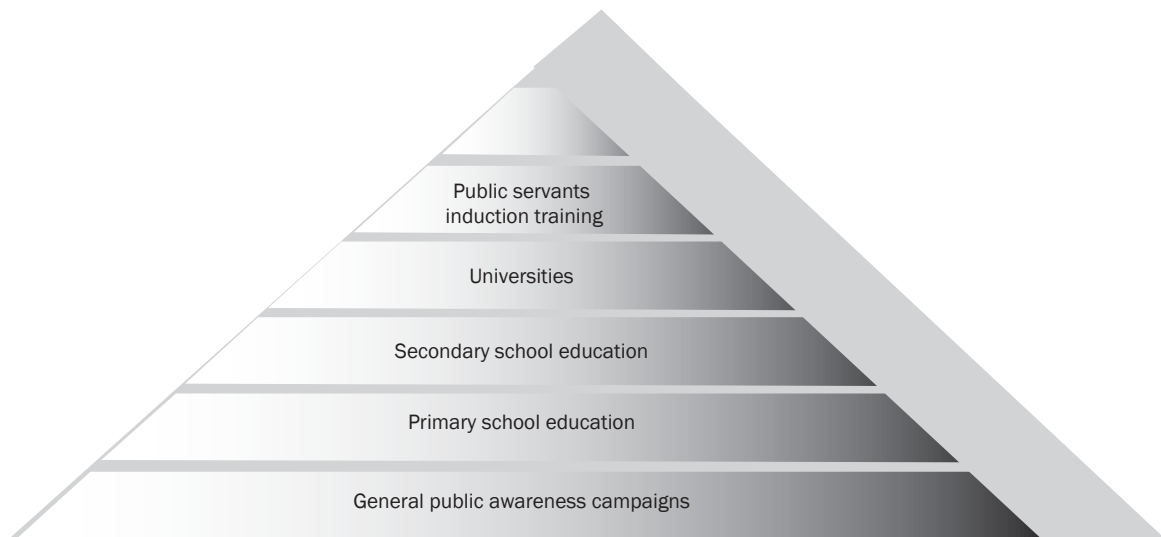
There always have been and there always will be public servants who abuse their position of power and their duty of trust for personal gain. The goal of public sector ethics is thus not to change the minds of criminals. It is, rather, to help all the others to stay well away from corruption.

4.2 Typology of ethics and anti-corruption training programmes

Measures must be implemented to address the external and internal factors that contribute to changing the ethos of public service. Practical ethics training must be provided both to public servants and to those who interact with them. Moreover, it is important to focus on future public servants and business people, including those still in schools and universities. The methodologies used cannot be similar; but they must be compatible. They must not be theory-oriented. Instead, they must be able to develop practical skills on how to behave safely in the 'busy traffic of ethics' and in a fast changing world.

Figure 4.1 shows one possible approach of effectively building ethics and anti-corruption training programmes at different levels of the system.

Figure 4.1 Building an ethics and anti-corruption training programme



Initial training for public servants

In decentralized public service systems, where public servants are not recruited by one single agency, implementing effective initial training is a challenge. It can be either 'administration-specific', covering the issues of the specific agency that public servants work within (if carried out within the agency), or it can be much broader, overlooking the specificity of the workplace (if carried out by a centralized external institution).

A reasonable way to address the issue consists in developing a brief professional ethics module and including it in the initial general training and in providing resources for self-improvement. Of course, in a centralized system, where the public servants undergo lengthy initial training, it is much easier to teach them acceptable social behaviour and the shared values of the civil service. Training in these systems is usually seminar-based, but, at times, in addition, resource packs are developed and distributed for self-training. The cost of the initial training very much depends on the general approach followed.

At universities, the problem of a lack of instructors is not as acute as in schools, primarily because there are no pre-set academic requirements for instructors. However, instructors need to be trained and even go through a tough selection process before being given the task of training future public servants.

Continuous training for public servants

From country to country, there is a broad variety of continuous training for public servants: Some are seminar-based, some involve coaching, some distance learning, and others involve all three. The best results can be achieved through an interactive methodology using an experienced instructor. However, if the goal is to train a large number of public servants in a limited timeframe, this is not a viable option. In some countries the public service consists of hundreds of thousands of public servants. Training them therefore in the course of seminars is impossible, both in the short- and the mid-term.

A good alternative consists in diversifying the training methodologies and then using the most effective forms of training for the groups of public servants who have the greatest impact on the public administration: that is, the high or the highest level of public servants. For the other levels, cheaper training methods can be used, although they might be less effective. Where applicable, an effective mix of training methodologies may be designed through sets of interactive CD-ROM-based training materials and/or a combination of distance-learning techniques, seminars and coaching.

It is important that training is used not only to raise the qualification of public servants, but also as a tool for learning about the implicit knowledge of the public service, including their un-codified traditions and approaches, so as to systematize them, to put them on paper and later on to use this codified knowledge to raise the effectiveness of the institutions.

It is impossible to develop an effective training programme without adequate support from the top hierarchy, the necessary resources to develop and run the programme, as well as the commitment to continue with it, despite occasional pitfalls. It is, in addition, highly unrealistic to expect that the introduction of ethics or anti-corruption training will bring quick results in terms of reducing corruption in the country. In fact, the introduction of these types of training must be part of a longer-term strategy, whose existence and need is not questioned and whose content and methodology are constantly improved.

Anti-corruption training for secondary schools

In order to be successful in the long run, working with young people is unavoidable, particularly at secondary-school level. Classes taught may be a mixture of theory and practical exercises, including desktop research on a topic, visits to state institutions (such as courts and prisons), field research, case studies, work with the police, and so forth. The emphasis should be on personal behaviour and personal responsibility, as well as on developing practical skills to react correctly when confronted with corruption. Specific knowledge may be given also on the way state institutions function; on the basic principles of the operation of the public service; as well as on the rights and obligations of citizens when interacting with the administration.

This approach allows for a more targeted intervention in comparison to public awareness raising. The mere fact that training is introduced as part of the curriculum adds to the sustainability of the effort. Provided that there is sufficient will and resources, it is also possible to measure the impact of such instruction.

The main drawback of this approach is that it is somewhat detached from reality. Students have little practical experience and so may not be able to comprehend some of the situations described by the teacher. They may also have role models (such as parents and friends) whose behaviour is not the best to follow.

University special anti-corruption courses

Most of the above comments about secondary education are valid for instruction in universities. The difference is that the specialization involved in tertiary education allows for a much more targeted approach in designing and delivering training, as it is possible to diversify the knowledge, the messages and the skills to be delivered. A course taught to a future manager is quite different from one taught to a future lawyer or a public administration student. The opportunities in this field are endless. Training does not require extensive resources, and it may yield visible results within a reasonable time.

The main problem here is often the lack of university professors who can present topics adequately, that is, professors with enough practical experience to teach skills and not just transmit knowledge. Moreover, in an environment where universities are autonomous and independent from the government, it may be difficult to convince their governing bodies that anti-corruption is a topic worth investing in.

General public awareness campaigns

General public awareness campaigns have the broadest possible target group: the public as a whole. They may be focused on a specific issue (such as traffic police bribes, illegal payments in hospitals, corruption in higher education) or carry a broader message (such as “Do not give bribes”). Their goal is to deliver one or two simple messages, such as: “Let’s stop corruption in the police”; “It all depends on you”; “Corruption and us”;¹¹ and so on. At times, they equip citizens with knowledge on how to react when a bribe is solicited or proposed. Some of these campaigns aim to raise awareness about the sources and dangers of corruption.

They rarely aim at achieving tangible results in terms of practical change. Printed materials – that is, leaflets and brochures – contain practical information, such as the relevant texts of the criminal code and the police hotline phone numbers for reporting corruption. Many of them are carried out by NGOs, and a few by governments. They may, however, serve as a tool to demonstrate the political will to change.

It is generally agreed that awareness-raising campaigns may change certain behavioural patterns. In this connection, they need to be backed by very specific actions. If not, they may cause further loss of trust in the government and deepen the corruption problem by creating the impression that corruption is the norm in the society.

Public awareness campaigns are expensive, and, since they are often only a one-time effort, they are not really sustainable. Their effectiveness is thus increasingly questioned in the literature (Bryane, 2004). They are nevertheless an essential component of anti-corruption programmes promoted by many international or bilateral donor agencies.

11. Used in Bulgarian anti-corruption campaigns.

4.3 Examples of training programmes developed in Bulgaria

Anti-corruption training activities for public servants were initially carried out by NGOs in Bulgaria, as part of the first wave of awareness-raising anti-corruption reforms (Bryane, 2004). Coalition 2000¹² thus participated actively in developing the syllabus for the secondary school anti-corruption training, while the National Chapter of Transparency International (TI) contributed to the training in professional ethics and anti-corruption within the public administration. Later on, government institutions, agencies and local authorities became more active in this field:

- The government and the former Anti-corruption Commission (ACC) were thus the driving forces behind efforts to introduce anti-corruption education in the public administration.
- The Ministry of Education and Science (MoES) was also instrumental in introducing the necessary changes in the school curricula.
- In this context, the Institute for Public Administration and European Integration (IPAEI), which is subordinate to the Minister of Public Administration and Administrative Reforms (MPAAR), has become an important actor in providing training to public servants.
- In the case of judicial training, the National Institute for Justice has been made responsible for delivering anti-corruption training to judges, prosecutors and investigating magistrates.

The rationale behind the various forms of training thus implemented was that although changing the systems, implementing preventive measures and deregulating the business environment is important, it is equally important to change behaviour patterns, the organizational culture and the way public service is delivered in the country. To achieve this goal, a sustained effort was needed, involving high school and university students, public servants, business associations and health care professionals.

Further details on these various initiatives are provided below.

Professional ethics for public servants

The Institute for Public Administration and European Integration (IPAEI) was established in May 2000 to provide compulsory initial and continuous anti-corruption training for civil servants. Its mission is to enhance the qualification and skills of Bulgarian public servants so that they can develop an effective and responsible public administration system; to contribute to the professional development of public administration employees so as to prepare them for career promotion; to support the process of building a new administrative culture; and, more globally, to prepare public administration employees to use the e-government model of service (i.e. the use by government agencies of information technologies – such as Wide Area Networks, the Internet and mobile computing – that have the ability to transform relations with citizens, businesses and other arms of government).

Two anti-corruption courses are provided by IPAEI: one on professional ethics for public servants and another on counteracting corruption in the public administration. The professional ethics course was developed in co-operation with the Organisation for Economic Co-operation and Development/Support for Improvement of Governance and Management (OECD/SIGMA), with support from the European Commission. Sets of highly interactive training materials were developed for the professional ethics training.

12. 'Coalition 2000' is an initiative of a number of Bulgarian non-governmental organizations aimed at combating corruption through a process of co-operation among governmental institutions and individuals drafting an Anti-Corruption Action Plan for Bulgaria, and implementing an awareness campaign and a monitoring system.

Training in professional ethics for public servants is designed to be as practical as possible, focusing on the real problems in the public service and proposing possible solutions to overcome some of them. Its goal is to equip public servants with practical tools to recognize and resolve ethical dilemmas; to provide reasoning for their solution; and to guarantee the socialization of the professional group. Public servants are taught the most practical way to apply the existing standards of conduct, such as codes of conduct, codes of ethics, internal rules and procedures, as well as disciplinary proceedings.

In the course of the training, knowledge is gained in a structured manner. In order to apply the standards of conduct properly, the public servants must first be made aware of their existence and content. Only once they are aware of the specific norms that are supposed to guide their professional activities does it become possible to build their practical competence on how to apply them.

Emphasis in training is on professionalism and the professional role of public servants. However, training goes far beyond the anti-corruption framework and creates opportunities for strengthening the institution and improving its overall effectiveness. Thus, the acquired skills can be regarded as the skills of a 'skilled professional'. They can also be subjected to annual performance assessment, thus integrating the ethics concept in the overall framework of the public administration and creating incentives for adhering to the highest possible ethics standards.

The Public Sector Ethics Resource (PSER) Series

In the course of the project, the Public Sector Ethics Resource (PSER) approach was used. This focuses on directly enhancing an individual's ability to recognize and deal competently with actual integrity situation problems and risks, on the basis of a sound understanding of the various obligations that define their professional role as officials.

The core resource in a PSER project is a set of interrelated, themed and generic case studies. These depict but do not specifically identify a range of both positive and negative ethics and professionalism issues. Films are produced in the Bulgarian language, with subtitles. They are set in a quasi-realistic work-based context and are designed to promote the identification of problems, discussion, as well as problem-solving. Video materials are supported by a large database of country-specific documents and texts on law, policy, guidelines, codes of practice, cases and training aids that are selected or developed for the purpose, as desired.

In the PSER approach, the presentation of materials promotes a detailed analysis of integrity, ethics and corruption issues, specifically in the context of the relevant law, anti-corruption policy, professional ethics standards and applicable community values and mores. The development of the PSER training was a collaborative process, which relied on the inputs of local participants, especially experienced civil servants, academic specialists and community leaders.

Resource-based capacity development in ethics and integrity

PSERS is designed to provide a collaborative, cost-effective and sustainable approach to developing a permanent resource package of country-specific materials. These are delivered as CD-ROMs, DVDs or online and are suitable for group training, independent learning, reference information or decision-making support. Consistent with the pedagogy of adult learning, the resource is primarily intended to be used to develop individual skills and knowledge, through participation in discussion on issues, such as ethics and professionalism, either in groups of peers, with a facilitator or by means of computer interaction.

Case study films can be used for organizational learning. Experienced instructors can, for instance, use the materials diagnostically, by identifying the ethics and corruption issues raised by particular video scenarios that are 'not' recognized as problematic by participants. Such responses might serve to either challenge or confirm the existing organizational culture and its coherence or lack of coherence with stated 'core values'.

The supporting database of materials focuses on specific integrity issues that have been identified as relevant for Bulgaria's public institutions. These include: lawfulness, the rule of law, accountability, ethical responsibility, professionalism, service to the public and the government and the public interest. Delivery of training on the basis of resource materials can be provided through face-to-face presentation, individual self-paced learning or online versions of both approaches.

The instructor's task in using the resource materials is two-fold: to promote and structure the training group's discussion of integrity issues, problems and resolutions raised by the video-scenarios; and to ensure that timely linkages are made to the institutional context provided by the relevant domestic law, policy and practice guidelines. The resource can be used to directly teach (by presentation) the content of the legal framework and the other explicit standards in the traditional way.

Implementation and use

The initial phase of a country-specific adaptation project is generally developed in partnership with a focus group, drawn from participating government agencies, civil service training institutions or national universities and civil society. This is in order to build long-term understanding and ownership of the materials.

The full implementation of a PSER project ideally has five elements for the participating country to choose from (the first three elements are fundamental):

- the development and production of a set of training film case scenarios, which raise country-specific ethics and integrity issues, and detailed related resources and materials;
- training in the use of the resources for a core group of instructors in a number of ministries, agencies, civil service training institutions and universities;
- the development of appropriate long-term implementation plans by participating agencies;
- the further development of sector-specific training materials, including additional sector-specific reference case study materials and tools;
- the movement of resource materials towards on-line delivery, with an option to link them to the human resource management applications of participating organizations, for example, concerning recruitment, advancement, training needs analysis, and performance management.

As with most such challenging projects, certain prerequisites are needed in order to ensure success, such as: ministerial-level endorsement for the development and completion of the resource package; long-term implementation strategies for its use; and the commitment of a select number of key partner institutions (for example, national civil service training institutions and relevant university departments) to assist in the work of the project, as key partners and future training providers.

Individual learning through PSERS

To overcome obvious weaknesses in seminar-based training (that is, the small number of public servants trained), a second edition of the Bulgarian PSERS was circulated in 2006. It included updated training and reference materials and 20,000 CDs for circulation. 50,000 public servants had to test the disks – alone or in groups with their colleagues – to build up their knowledge on public sector ethics related issues. This basic training targeted all the public servants in the

country working in an environment of high corruption risk, including all of the managers and most of the experts in the administration. Its goal was to contribute to instilling a culture of integrity in the Bulgarian Public Service, as well as to build practical skill to recognize and resolve ethical dilemmas. The training package also included a basic anti-corruption training module.

The public servants were expected to watch the filmed case scenarios, included on the CDs; read the commentaries to the scenarios; read the basic anti-corruption and PSE training module; and read all the legislation and relevant codes of ethics. An important feature of the training was the internet-based online testing system, which allowed the participants to complete the mandatory tests at the beginning and end of the course. The participants were also able to try up to seven different optional tests.

The mandatory tests comprised of 30 questions, each with closed answers. The results of the tests were processed automatically and forwarded to the respective human resources departments. Of the 50,600 public servants involved in the training:

- 47,819 (94 per cent) actually acquainted themselves with the contents of the disks;
- 40,107 (80 per cent) successfully completed the training and passed the final test;
- 7,712 (14 per cent) public servants completed just the initial or the optional tests.

The average result of the final countrywide tests was 26.3 points out of 30 (or 87.3 per cent). The average result of the initial tests was 20.2 points. Thus the coefficient of change was 30.2 per cent. Certainly, this did not directly translate into a 30 per cent increase in integrity in the public servants. But it constitutes nevertheless a positive attestation for the training effort.

Counteracting corruption in public administration training

This programme initially started as series of 12 seminars organized in 2004. The goal was to test and later on to implement the developed methodology and training materials. The training provided was in a traditional manner, with multimedia presentations from instructors and emphasis on feedback and participation from participants. Output evaluation was performed at the end of each seminar. They revealed that the level of participant satisfaction was high, which indicates that participation was effective and that the activity stimulated a genuine desire to implement the knowledge and skills received. Many of the participants followed-up on the seminars by undertaking specific anti-corruption activities in their respective ministries or agencies. Dissatisfaction was mainly directed at the overly theoretical approach to the training. The later versions of the training programme paid much more attention to involving the audience in problem solving, through case studies and small groups work.

At its inception, the programme was carefully targeted at the highest level of the public service: secretary-generals, directors of directorates and heads of agencies. It has been redesigned later on for it to become a fully functional online-based distance-learning programme aimed at all public servants.

Although still in the testing phase, several remarks regarding the effectiveness of the online anti-corruption training may be useful. First, the distance-learning methods, especially the selected online training methodology, is efficient when it comes to delivering basic knowledge to a large group of trainees. It does not, however, help to develop specific practical skills. If a programme of this type is to be developed, there should be sufficient resources to complement it with on-the-job coaching, which would actually become the tool for building skills.

Anti-corruption education in secondary schools

As reviewed above, the anti-corruption training for secondary schools was designed as a key component of the ethics and anti-corruption infrastructure. The goal of this training was to build age-specific knowledge and to lay the foundation for acquiring sound civic competence by high school students.

Anticorruption classes were included in the curriculum as an optional subject for Grade 9 to 12 students. The syllabus for the training was developed jointly by the MoES, the ACC and the Coalition 2000 experts. The regional MoES structures, including the Regional Inspectorates, played an important part in the overall effort to start the classes. Various NGOs, regional governments and mayors also contributed to the process.

The syllabus was developed in accordance with the MoES educational requirements and included nine topics. It examines in depth the issues of power and trust, rights and obligations, globalization, the forms of corruption, the social consequences of corruption, anti-corruption strategies and the role of civil society.

In order to guarantee the uniformity of the training, the regional inspectorates of the MoES received special training on the new programme in the course of a three-day seminar. The sustainability of the effort was guaranteed by involving representatives of academia, as well as the Teachers Training Institute. The suggestions made by the participants became a valuable source of information for developing and enlarging the system of acquiring knowledge on anti-corruption in secondary schools, and also for introducing such modules in primary schools and in universities.

In most parts of the country, the training of teachers who teach anti-corruption was delivered by employees of the MoES regional inspectorates. The training methodology is a mixture of theory and practical exercises, desktop research on a topic, visits in state institutions and courts, as well as case studies. The emphasis is on personal behaviour and personal responsibility. The aim is to develop practical skills to react correctly when confronted with corruption. The training materials are mainly developed by NGOs. They include a reader, a workbook and a 'frequently asked questions' (FAQ) booklet. At present, anti-corruption classes are taught in 255 schools.

University special anti-corruption courses

The goal of university-based training is to build the competence, knowledge and skills of the participating students to a high level. The students are regarded as future business people, public servants and teachers. It is therefore highly desirable to have the training customized to their needs. In the training, which is reviewed here, the syllabus was developed in co-operation with the ACC. The classes were introduced as an optional subject, bearing credits. They consisted of both a theoretical and practical component:

- The *theoretical component* was based on presentations, using PowerPoint slideshows. Its goal was to build the knowledge of the students on the general legal framework, the institutional organization of the anti-corruption activities in the country, the rights and obligations of the public servants and the citizens and the principles of good governance on which the administration is based; and to bring some ethical issues to the forefront, such as conflict of interest, gifts, whistleblower protection and political influence.
- The *second component of the training* was interactive, based on PSERS films (see above). The methodology of this part was based on adult learning techniques. The goal of the second part of the training was to build practical skills for recognizing ethical dilemmas and conflict-

of-interest situations and to differentiate those from corruption. It also aimed at building skills to know how to react when confronted with unethical behaviour and/or corruption.

The course only ran for one semester and was then discontinued. The interest among the participating students was not high, and the lack of qualified teachers precluded the programme from running for a second year.

Public awareness-raising programme

The public awareness-raising programme is one of the most visible anti-corruption efforts. As such, it is an excellent public relations tool. Its goals are manifold, including: raising the awareness of the people on the dangers and consequences of corruption; and acting as a deterrent to corruption among several specific groups (such as traffic police, border police, medics, university staff). It consisted of the following interrelated elements:

Brochures and stickers

Two million brochures and stickers were designed, printed and disseminated in the course of the campaign, in two stages.

The *first stage* concentrated mainly on the traffic and border police and was carried out in cooperation with the Ministry of Interior, which, at that time, ran a specialized public awareness-raising campaign to curb corruption in the ranks of the police force. The brochures were simple, short and clear and contained excerpts from the criminal code in the form of simple and easy-to-remember messages. On the reverse side were printed the police hotline numbers for reporting corruption. Similar brochures, also in Turkish, English and German, were printed and made available at border checkpoints. “No payments are paid here” stickers were posted at all the checkpoints, along with the police inspectorate hotline number. This first part of the programme was funded by USAID, through the Open Government initiative project.

The *second stage* of the programme was directed at corruption in the health care and education sectors, as well as in the political (election) process. The layout of the brochures was similar and, again, the police hotline numbers were made available to the public on the back of the brochure. The second edition of stickers featured self-explanatory graphics only, with no text. The second stage of the programme was funded by the British Embassy in Bulgaria.

Television and radio adverts

In the course of the campaign, a television advert was designed and aired on Channel One (the most popular Bulgarian television channel). The Ministry of Interior campaign simultaneously developed and broadcast an advert on the radio, with a similar content and bearing the message: “Let’s stop corruption in the police”. The awareness-raising programme certainly succeeded in raising the profile of the anti-corruption issues and efforts in Bulgaria. However, the programme did not undergo an impact evaluation.

Following the successful completion of the awareness-raising efforts of the government and the NGOs, the people of Bulgaria are now fully aware of the sources and dangers of corruption. The pressing need currently is to follow up with more high-profile actions, such as successful law enforcement and the prosecution of corrupt high-level officials. Otherwise, it is highly likely that the credibility of the entire effort will be lost.

All these training initiatives are further described in *Tables 4.1, 4.2, and 4.3.*

Table 4.1 Main characteristics of the anti-corruption training programmes developed in Bulgaria (organizational features)

	Stakeholders	Target group	Organizational modalities	Resources needed	Results obtained
Professional ethics for public servants	<ul style="list-style-type: none"> • IPAEI • ACC • MPAAR • OECD/SIGMA • TI National chapter 	<ul style="list-style-type: none"> • All public servants at all levels of government 	<ul style="list-style-type: none"> • Organized within the IPAEI • Part of the mandatory ongoing training • Seminar-based • Resource materials developed for individual preparation, i.e. the Public Sector Ethics Resource Series (PSERS) 	<ul style="list-style-type: none"> • For the translation and the localization of the training materials • For dubbing and customizing films • For the training of instructors and for organizing seminars 	<ul style="list-style-type: none"> • 20,000 CD resource sets printed for the public servants • 10 seminars organized per year
Counteracting corruption in the public administration	<ul style="list-style-type: none"> • IPAEI • the ACC • TI National chapter 	<ul style="list-style-type: none"> • All public servants at all levels of government • High-level public servants (directors of departments and above) 	<ul style="list-style-type: none"> • Organized within IPAEI • Part of the mandatory ongoing training • Seminar-based (decision-makers) • Online distance-learning programme (all public servants) 	<ul style="list-style-type: none"> • For developing, implementing and maintaining a distance-learning software platform • For developing training materials • For training instructors • For organizing seminars 	<ul style="list-style-type: none"> • Distance-learning platform in test phase • Seven seminars per year
Anti-corruption training for the secondary schools	<ul style="list-style-type: none"> • MES • ACC • Coalition 2000 • Individual schools 	<ul style="list-style-type: none"> • Secondary school students (age 14-18) 	<ul style="list-style-type: none"> • Organized within the secondary schools • Subject not obligatory but part of the curriculum 	<ul style="list-style-type: none"> • For developing training materials (borne by Coalition 2000) • For training teachers 	<ul style="list-style-type: none"> • 251 schools involved • Great interest among students
University special anti-corruption course	<ul style="list-style-type: none"> • ACC • Sofia University -Saint Clement Ochridsky 	<ul style="list-style-type: none"> • University students, for their Master's programme (subject to credits) 	<ul style="list-style-type: none"> • Organized fully within the university • Little methodological assistance provided to the teacher 	<ul style="list-style-type: none"> • Re-utilization of some of the training materials used for the public administration course • Use of films from the PSERS 	<ul style="list-style-type: none"> • Course introduced and successfully completed over one semester (15 students) • At the moment discontinued

Anti-corruption awareness-raising programme	<ul style="list-style-type: none"> • ACC • Ministry of Interior and USAID-sponsored • Open Government Initiative • The British Embassy in Bulgaria 	<ul style="list-style-type: none"> • Public at large • Focus on the border police • Traffic police • Health care system • Higher education system • Elections period 	<ul style="list-style-type: none"> • Organized by the ACC, with financial assistance from USAID/OGI and the British Embassy 	Expensive. It includes the cost of: <ul style="list-style-type: none"> • designing printing materials and radio messages; • developing the messages • printing, broadcasting and disseminating 	<ul style="list-style-type: none"> • Two million leaflets, brochures and stickers printed and disseminated • Radio spots • A TV advertisement • Three different models of stickers with practical information, including hotlines
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Table 4.2 Main characteristics of the anti-corruption training programmes developed in Bulgaria (pedagogy)

	Learning objectives	Duration	Pedagogical characteristics	Training materials	Impact
Professional ethics for public servants	<ul style="list-style-type: none"> To build practical skills to recognize, assess and resolve ethical dilemmas that come up while holding public office 	<ul style="list-style-type: none"> Three days 	<ul style="list-style-type: none"> Highly interactive training Development of special training materials with video to be used instead of case studies With guidance from instructors, participants expected to develop their capacity by solving the ethical dilemmas raised in the films 	<ul style="list-style-type: none"> Workbook Set of two CD-ROMS with interactive films Database of relevant legal acts and codes of conduct Reader (in e-format) of approximately 2,000 pages 	<ul style="list-style-type: none"> Learning process twice as effective as traditional training methodologies Updating of the course Printing of additional 20,000 CD-ROMs
Counteracting corruption in the public administration	<ul style="list-style-type: none"> To build knowledge and practical skills to recognize and counteract corruption To build knowledge and skills related to the performance of the duty of public trust 	<ul style="list-style-type: none"> Three days 	<ul style="list-style-type: none"> Seminar-based, interactive training, with PowerPoint presentations, discussions and small-group work Redesign of the programme to allow online distance learning 	<ul style="list-style-type: none"> Reader of approximately 60 pages PowerPoint presentations 	<ul style="list-style-type: none"> More than 460 public servants at the highest levels of public service training High satisfaction levels for the course Building of practical skills somewhat insufficient
Anti-corruption training for secondary schools	<ul style="list-style-type: none"> To build age-specific knowledge and sound civic competence 	<ul style="list-style-type: none"> Two semesters 	<ul style="list-style-type: none"> Theory taught in a classroom setting Interaction recommended but depending on the teacher Field research, visits to public institutions and active interaction with police prosecution and the courts 	<ul style="list-style-type: none"> Anti-corruption reader developed by Coalition 2000 Workbook FAQ booklet 	<ul style="list-style-type: none"> Corruption introduced as a regular subject in 255 schools, with the goal of becoming an obligatory subject in the future Student interest and participation extremely high Insufficient capacity to include all students in some schools

<p>University special anti-corruption course</p>	<ul style="list-style-type: none"> • To build a high level of knowledge, competence and skills to recognize corruption, ethical dilemmas and situations of conflicts of interest • To build skills to react when confronted with unethical behaviour and/or corruption 	<ul style="list-style-type: none"> • One semester 	<ul style="list-style-type: none"> • Theoretical part: the theoretical, with PowerPoint and presentations • Practical part: interactive, based on PSERS films (see above) • Based on adult learning techniques 	<ul style="list-style-type: none"> • PSERS CD-ROMs • PowerPoint presentations developed for the training 	<ul style="list-style-type: none"> • Introduced for one semester in 2005, but with low interest • Course not sufficiently promoted • Discontinued
<p>Anti-corruption awareness raising programme</p>	<ul style="list-style-type: none"> • To raise awareness of the people on the dangers and consequences of corruption • To act as a deterrent to corruption in specific target groups 	<ul style="list-style-type: none"> • One year 	<p>N/A</p>	<ul style="list-style-type: none"> • Six different brochures • Three types of stickers • A TV advertisement • A radio spot 	<ul style="list-style-type: none"> • Impact not evaluated • Limited analysis of newspapers indicates that, at present, awareness on the issue is high, and that further specific actions are needed

Table 4.3 Main characteristics of the anti-corruption training programmes developed in Bulgaria (contents)

Title of training	Training outline	Main issues	Topics under discussion
Professional ethics for public servants	<ul style="list-style-type: none"> To build practical skills to recognize and solve ethical dilemmas in the public sector Emphasis on the professional role of civil servants and professionalism 	<ul style="list-style-type: none"> Legislative framework Codes of conduct Codes of ethics Internal rules and procedures Disciplinary proceedings The basics of ethics Professional ethics as a concept The rules of the 'game' concept Conflicts of interest Gifts Ethics in daily work Ethics and performance assessment Whistle-blowing Whistle-blower protection 	<ul style="list-style-type: none"> Codes of conduct: characteristics and functions Enforcement mechanisms Conflict of interest: the basics Conflict of interest management techniques Gifts: a checklist Whistle-blower protection in practice Ethics in daily work Political influence and public service
Counteracting corruption in public administration	<ul style="list-style-type: none"> Pilot project for testing distance-learning training methodology Backbone of anti-corruption training in the public administration and part of mandatory training Based on traditional presentations, with little input from participants Later developed into a fully interactive programme Practical element of the programme: participants required to think of specific actions they could later implement in their organizations Targeted at the highest level of the public service Becoming a fully functional online-based distance-learning programme for all public servants 	<ul style="list-style-type: none"> Corruption: a general overview Causes of corruption Damage caused by corruption Differentiation between forms of corruption Methods for counteracting corruption International anti-corruption instruments Institutional organization of anti-corruption activities Principles of good governance Internal and external controls, financial and administrative audit Conflict of interest management in the public administration Codes of conduct Rights and obligations of public servants 	<ul style="list-style-type: none"> Roots of corruption Organizational approaches for combating corruption Different methods applicable to different types of corruption The role of the legislation Practical steps to building administrative capacity Trust-building measures Personal responsibilities and institutional action-plans
Anti-corruption training for secondary schools	<ul style="list-style-type: none"> Anti-corruption classes included in the curriculum as an optional subject Theoretical part: traditional topics Practical part: study visits to public institutions, field research, preparation of research papers, and meetings with representatives of state bodies, etc. 	<ul style="list-style-type: none"> Power and trust Rights and obligations of the citizens, public servants and politicians Globalization Forms of corruption Social consequences of corruption Anti-corruption strategies Role of the civil society 	<ul style="list-style-type: none"> Personal behaviour and responsibility Strategies to address corruption on a personal level What to do if a person one knows is unethical or corrupt Methods to address different forms of corruption Civic participation and civic duty

<p>University special anti-corruption course</p>	<ul style="list-style-type: none"> • Students considered as future business people, public servants and teachers • Full conformity achieved with the other ethics and anti-corruption training efforts • Theoretical and practical training, using the PSERS approach to fullest extent 	<ul style="list-style-type: none"> • General legal framework • Institutional organization of anti-corruption activities in the country • Rights and obligations of public servants and citizens • Principles of good governance • Conflicts of interest • Gifts • Whistle-blower protection • Political influence • Democracy 	<ul style="list-style-type: none"> • Law and corruption • Legality and ethics • Can corruption be fought? • Strategies for fighting corruption • Personal and institutional approaches • Institution-strengthening and trust-building measures
<p>Anti-corruption awareness-raising programme</p>	<ul style="list-style-type: none"> • Massive effort to raise awareness and make the anti-corruption effort visible • One-dimensional information campaign using unified slogans, brochures and messages 	<ul style="list-style-type: none"> • Corruption and personal responsibility • Actions to be undertaken when confronted with corruption • “Do not give bribes” 	<p>N/A</p>

4.4 Lessons learned from the Bulgarian experience

One of the main problems of democracy today is 'declining trust' – that is, trust in institutions and in society in general. Therefore, one of the primary goals of anti-corruption education should be to build trust and confidence. The problem here is twofold: citizens who do not trust the administration will try to 'buy' certainty through bribes, the use of connections and corruption in general, which are the price of certainty and predictability; on the other hand, if public servants do not feel that the public trusts them, it will be much easier for them to disregard their duties: one cannot betray trust where there is no trust. Thus, general training and an educational strategy must be designed with this idea in mind: that is, how to strengthen trust in institutions.¹³

Ethics and anti-corruption education are undoubtedly among the most effective pro-integrity and pro-good-governance tools. They are an important part of the ethics infrastructure and are an indispensable tool for socializing and maintaining common values on the changing public administration. However, in order for the training to be effective, they must not become the mere repetition of spells. On the contrary, they must be practical; connect the performance of public servants with adherence to the standards set by the codes of ethics; equip public servants and managers with the tools to recognize and resolve ethical dilemmas; and be able to effectively counteract corruption when confronted.

Public service does not operate in a vacuum. Aside from training public servants, it is equally important to train those who interact with the public administration, such as business associations. The concept of corporate social responsibility is, moreover, becoming more and more popular. The role of the state in this process is to ensure that future public servants, businesspeople and entrepreneurs all share the same understanding about the dangers posed by corruption, the effects it has on society and ways to cope with it. This could be done by introducing anti-corruption and ethics training in secondary schools and in universities. It is equally important to design anti-corruption education to be compatible with the training delivered to public servants. This is the only way to ensure that there will be a constant process of improvement in knowledge and skills in this regard.

Informed people are important allies when it comes to fighting corruption. Therefore, public awareness campaigns, though contested, are a useful tool, especially when it comes to donor-sponsored programmes whose public awareness campaigns are an integral part of their reform package. If a decision is taken to embark on an awareness-raising campaign, it must be fully appreciated that if it is not followed through, the awareness raised will simply exacerbate the problem, not solve it.

The first step in every anti-corruption education programme should be the identification of values that are typical for the target society. The second step should be to develop the right intervention strategy and in the end, of course, to implement and evaluate it. Although almost every anti-corruption paper starts with a similar statement, surprisingly, many experts continue with the same generic set of anti-corruption best practices, completely disregarding societal reality.

There are several important actors in the area of anti-corruption education. The government, academia and the NGOs are, of course, the most visible ones, but there is also the international community, with all the intergovernmental and international non-governmental organizations, the business associations and many others. It is important to remember that none of these

13. Provided, of course, that the institutions deserve trust; in any case, the trust-building measures must go hand-in-hand with 'real' measures to promote integrity in the public service and to strengthen democratic institutions.

are homogenous structures with a single shared goal. Public institutions often do not speak coherently. At times they even contradict each other. This is especially noticeable when they are competing for scarce resources. Indeed, in the new public administration, every line ministry has its own approved policy. However, the principle of coherency would require that these policies are coordinated horizontally and vertically. Therefore special attention needs to be paid to strategic planning throughout all levels of public administration. Pro-integrity and pro-good-governance efforts should be an integral part of the efforts to make the public administration more effective, efficient, transparent and accountable.

Governments implement educational strategies either through direct control over educational institutions or indirectly, by influencing the curriculum. It must be clear that often it is too difficult a task to introduce uniform training across the board. Ministries of education may control secondary schools, but they rarely have direct influence over universities; and even in secondary education, they cannot directly control private institutions. Moreover, there are serious problems to overcome when it comes to administrative inertia, lack of motivation to change, mistrust among teachers as to whether such classes are needed and weak teacher training.

The question is, first, how to make institutions include anti-corruption training in their curriculum and, second, how to make the training work once introduced. It is quite evident that the inclusion of anti-corruption training in the curriculum of a school or a university is insufficient by itself. There is still a capacity issue: there is a need, at least, for rules, procedures, resources, institutional organization, training materials and trained teachers. It is important to mention here that proper motivation of teachers has little to do with their remuneration. Proper motivation can be achieved through delivering regular training; adequate incentive and sanction mechanisms; systems of accountability as to how anti-corruption education is delivered; and, of course, leadership and commitment from school management.

From a more positive perspective, in an environment that is not quite pro-integrity and where there is insufficient political will to combat corruption, anti-corruption education might turn out to be one of the easiest anti-corruption tools to introduce. The introduction of ethics and anti corruption education may be regarded by some in the elite as a non-threatening – or, at least, less threatening – measure than a full-scale law enforcement campaign would be. This is evidently a misconception: training can be an effective tool for change.

The role of NGOs in the process of introducing ethics and anti-corruption training is worth noting. NGO efforts by themselves are unable to bring about substantial change. Their strength consists in generating new ideas and concepts; bringing legitimacy to the process, when the government institutions lack confidence; and generally conveying an anti-corruption attitude. The Bulgarian example shows that almost all government-implemented initiatives are continuations of ideas that originate from the civil society, starting with the Coalition 2000 anti-corruption programme and ending with the participation of NGOs in the development of the national anti-corruption strategy and its implementation.

Would it be possible to coordinate the activities of the NGOs in order to make their effort more sustainable? There is no evidence so far that a coordinated effort would bring more added value to the fight against corruption. Of course, coalition building (one of the possible forms of coordination) is often considered as the main tool to stimulate civic participation and to oppose corruption in a country. However, there are no hard data to substantiate such a claim. Speaking with one voice is important in order to demonstrate that there is a genuine pro-change movement in the society.

Final remarks

In a situation where public servants do not share a common understanding of what behaviour is or is not acceptable, training is an obvious solution. Although it can be introduced in different forms and models, it must always aim at building practical skills. Indeed, expecting to see results immediately is unrealistic: they may only come after some time. Ethics training has unique strengths as an approach: it creates a common understanding of the values of civil service. It either fills in a gap or replaces dated legacy values. It clearly shows public servants what behaviour will or will not be considered acceptable and thus gives them clear guidance as to how to react in certain situations. It deprives them of the “I didn’t know” type of excuses and thus promotes initiative and responsibility.

However, there are also some risks if the leadership does not ‘walk the talk’. In such a case, public servants will feel cheated and will therefore not abide by the codes of conduct. It is important, therefore, to consider ethics training as only one element – a key element, but only one – of the fight against corruption. Political leadership – that is, a policy of ‘leading by example’ – is equally important, as is proper management in the civil service. In addition, implementation needs to be accompanied by detailed rules, procedures and guidelines.

The training must address all public servants – or at least all public servants in a given organization. Otherwise, there will be a serious problem with the organizational culture: at the end of their training public servants will return to their traditional environment and may quickly lose their newly acquired skills. Or, if they follow what they have been taught, they may either be seen by their colleagues as ‘strange’ or be expelled altogether from their community.

Transparency, accountability and an active civil society are certainly needed. If these elements of the battle against corruption are in place, it is likely that the effect of ethics training will be multiplied. They cannot, however, solve the problems related to corruption and good governance alone. Strong institutions are needed for that – that is, institutions that have a clear mission – visionary leaders, adequate resources and trained, highly ethical staff who make things happen.

Appendix 1. Lithuania in figures, 2003/2004

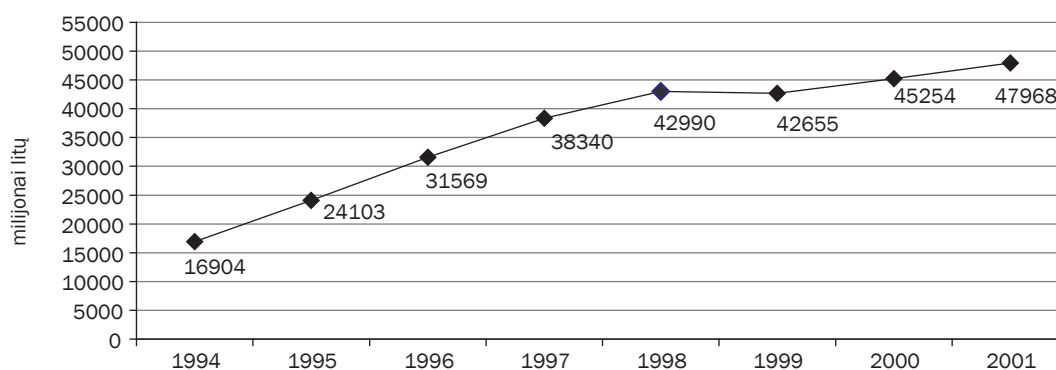
Lithuania has a land area of 65,300 square kilometres and a population of 3.5 million. Its currency is known as Litas (LTL) – one US dollar equals LTL 2.619 (April 2009). GDP in 2004 was LTL 55,359 million (about US\$19,842 million). The national budget funds allocated to education was LTL 3,266.2 million (about US\$1,170 million) in 2004¹⁴ – 5.9 per cent of the GDP. The national budget is the sum of the state budget and the budgets of its 60 municipalities. Over one third of the state budget and, on average, two thirds of the municipal budgets are allocated to education.

The average monthly teacher's salary was LTL 1,290 in 2004 (about US\$462), which is similar to the average for all state employees. In accordance with the Law on Education and the Lithuanian concept of education, the system of general education schools follows the 4 + (4 + 2) + 2 pattern (see Appendix 2).

There are 448 primary schools (Grades 1-4), 90 per cent of which are in rural areas; 644 basic schools (Grades 1-10), 83 per cent of which are in rural areas; 476 secondary schools (Grades 1-12); and 91 gymnasiums (with Grades 9-12 or, in some cases, 5-12 or 1-12). Overall, the number of students in general education schools is about 570,000. The number of teachers is about 50,000. The higher the number of pupils in relation to that of teachers, the lower the expenditure on education per pupil.

Compared to the OECD average (13.8), the number of pupils per teacher in Lithuania is lower (about 11.4 in 2004). The average number of pupils per teacher in urban areas exceeds that in the OECD countries, while in rural areas it does not reach it. In the period 1995-2003, the number of pupils per teacher in general education schools increased (from 11.14 to 11.4), while in vocational schools it fell (from 10.47 to 9.59), which shows that there is a relatively higher number of teachers in vocational education.

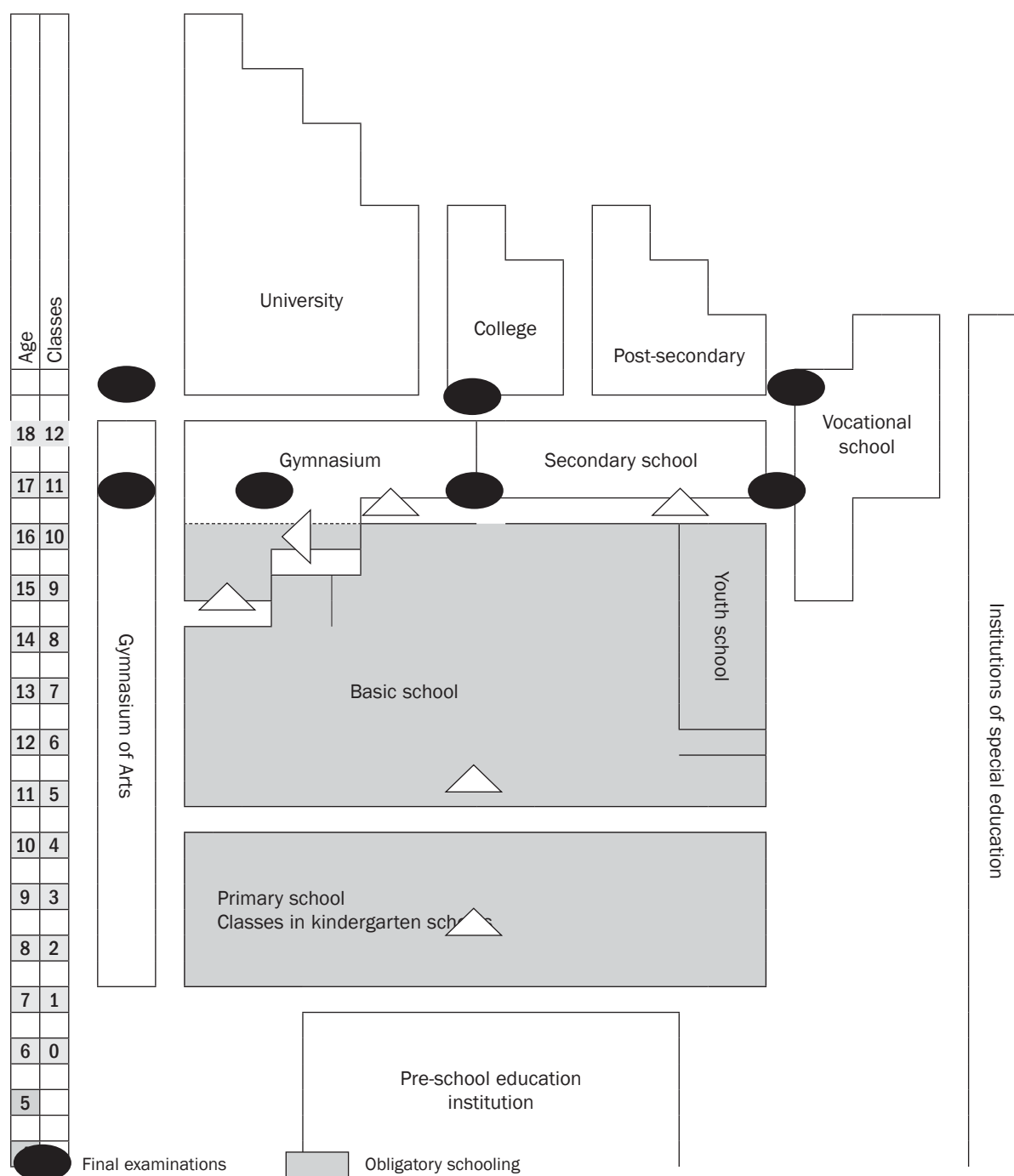
The dynamics of GDP in Lithuania, 1994-2001 (in LTL 1 million, at actual prices)



Source: Government of the Republic of Lithuania.

14. One US dollar equalled about 2.79 LTL in 2004.

Appendix 2. The Lithuanian system of education, 2003



* Excluding institutions of formal adult education.

Source: Ministry of Education and Science of the Republic of Lithuania.

Appendix 3. Main stages of an audit (Slovakia)

1. Audit preparation

The audit preparation stage consists primarily of: organizational arrangements; the preparation of an audit task plan and procedures; the preparation of directives for carrying out the audit; and finally, the authorization of the audit by the auditing office.

The purpose of audit planning is to acquire knowledge and information about the subject matter of the audit and the entity to be audited, so that the auditors are acquainted with the main issues. The planning of an audit task is carried out by the audit task manager, in collaboration with the audit team leaders. If appropriate, the audit team members also participate. In planning an audit task, auditors acquaint themselves thoroughly with the relevant legally binding regulations or, if necessary, the standards regarding the issues of the audit task. The planning of an audit task is formulated as an audit task plan, which is followed during the audit. This plan is drawn up by the audit task manager, in co-operation with the audit team leaders and the audit team members. It has to be approved by the President of the SAO. The plan must include: details of the audit subject matter or matters; the entity or entities to be audited; the organizational arrangements for the audit; and the starting date and duration of the audit. The audit task plan specifies an appropriate time period for the proper execution of the audit. The audit team is bound to its details.

The next phase is the preparation of the audit procedure, in the form of a manual. This manual specifies the methodology that is to be used for the detailed review of the matters specified in the audit task plan that are to be audited. It also outlines the requirements of the relevant rules and regulations for each individual matter, specifying the required status of the matter or, where appropriate, any other information necessary for the audit. The audit procedure should create appropriate conditions for carrying out the audit thoroughly, to a high standard, and covering the entire range of auditing issues. Once the preparations have been completed, the audit task manager or audit team leader instructs the auditors and external experts on how the audit is to be implemented. He/she informs the auditors and other external experts about the audit task plan, the audit procedure and the legally binding regulations, and he/she answers any questions and clarifies any specific issues.

An auditor may only implement an audit following a written authorization signed by the President of the SAO.

2. Execution of the audit

At the beginning of an audit, the audit team leader informs the statutory body of the entity to be audited or the person duly authorized in writing about the subject matter of the audit and its overall objectives. At the same time, he/she presents the written authorization for the audit. The audit team leader also informs the entity about its fundamental rights and duties; the organizational arrangements needed for the audit, in particular the requirements of the audit team, such as office premises, telecommunication connections, working contacts with employees of the entity; and also the deadlines for submitting the written documentation needed for the audit and other issues.

The audit team leader's responsibilities include:

- discussing the fundamental issues with the entity to be audited on behalf of the audit team;

- executing the audit, purposefully, smoothly and with effective coordination;
- providing the auditors with professional and methodological assistance;
- participating in the audit task;
- discussing with the statutory body of the audited entity or, where appropriate, with its competent employees;
- producing the audit report, including responsibility for its content, and its correct and timely compilation.

In conducting an audit, auditors are authorized to enter the premises and facilities of the entity under audit. They can demand summary and other documents, including computer-based data, irrespective of the degree of confidentiality. Auditors are authorized to demand that the original documents and other materials and oral or written information necessary for auditing purposes be made available within a reasonable time specified by the SAO. They are also to ask for statements and explanations concerning the facts under audit or the deficiencies identified by the audit. All information has to be complete and accurate.

When executing an audit on the premises of the audited entity, each auditor must:

- adhere to the instructions of the audit team leader in the implementation of the audit;
- review the facts according to the issues outlined in the audit task plan or the audit procedure manual and carry out the audit in such a way that the findings are complete and accurate;
- compare the actual facts with the required status. This comparison is to allow the auditor to verify to what extent the actual state of affairs complies with the required status. As a general rule, the required status is specified in generally legal binding regulations or in other rules and regulations regarded as binding in auditing terms. If there are no general binding legal regulations, the required status should be that which is socially beneficial and well-established in similar entities;
- identify the economic situation, efficiency and effectiveness of the matters that are being audited, based on a thorough verification of these matters.

Auditors review the actual situation of the matters that are under audit primarily using official data from official sources of information on economic activities and the conclusions of experts, expertises, and so forth. The information and data are reviewed from the point of view of their reliability, comprehensiveness, complexity and material and formal accuracy. If necessary, they are analysed and their composition is reviewed in relation to other documents. This is done to the extent necessary to prove that the reported fact is indeed correct and objective. In their report of the audit results, auditors are to ensure that the findings outlined are accurate and supported by evidence (relevant documents). The audit findings also need to be accompanied by references to relevant written documents or, in cases where a reference is insufficient, the actual written documents.

If there are reasonable grounds to suspect that criminal activity has been involved or that documents could have been stolen, replaced or their contents adjusted, resulting in a distortion in the matters under audit, the auditor is to withdraw the original copies of such documents from the disposal of the entity under audit.

In collaboration with the members of the audit team, the audit team leader draws up a report of the audit results. This must contain a description of the facts identified and, in cases where there has been non-compliance with legal regulations, references to the terms that have been infringed. No data can be included in the report that have not been verified. Only facts directly related to the subject matter of the audit, which have been thoroughly checked by the auditor

and are supported by appropriate documentation, may be included in the report. The report must be concise and comprehensible. It does not have to specify the materiality of the irregularities identified by the auditor – that is, in terms such as serious violation, gross violation, intentional violation, inexcusable violation, and so forth. In cases where no weaknesses, errors, omissions, shortcomings, irregularities or non-compliance are detected during the audit, the audit team leader draws up a record of the audit results in co-operation with the audit team members.

The audit team leader gives the statutory body of the audited entity the opportunity to familiarize itself with the content of the report on the audit results. The entity has the right to raise, within a reasonable time period and in writing, objections against the accuracy and completeness of the audit findings. If an objection is raised, the audit team verifies whether they are justified. It then communicates the results of the verification in writing to the statutory body of the audited entity. The report of the audit results is enclosed in the communication. If verification of the objections reveals that they are completely or partially justified, or if additional significant facts are identified, the audit team leader, in co-operation with the audit team members, draws up an annex to the report of the audit results. It then communicates the content of the annex to the statutory body of the audited entity.

The report of the audit results includes minutes of the meeting where the auditor imposes obligations on the statutory body of the audited entity. This might be for it to carry out the following actions: undertake measures to remedy any weaknesses, errors, omissions, shortcomings, irregularities or non-compliance identified during the audit and to submit them in writing to the SAO within a specified period; and/or submit a written follow-up report to the SAO within a specified time period (for example, a report on the measures undertaken to remedy weaknesses, errors, omissions, shortcomings, irregularities or non-compliance identified during the audit).

The measures undertaken to remedy weaknesses, errors, omissions, shortcomings, irregularities or non-compliance identified during the audit must be clearly formulated and efficient. The audit is deemed to be finalized on the day the report on the audit results is discussed, on the day the minutes of the discussion of the report are compiled or on the day the record of the audit results is submitted to the statutory body of the audited entity.

3. Reporting

The summary audit report is elaborated by the audit task manager in collaboration with the audit team leaders. The report contains a description of the facts identified and, in cases of non-compliance with legal regulations, references to the provisions that have been infringed. Written documents detailing the audit results must be clear, objective, easy to understand, constructive, up to date, supported by relevant material and complete. All summary audit reports are sent to the Committee of the National Council of the Slovak Republic for Finance, Budget and Currency and, if necessary, to other committees.

The President of the SAO submits to the National Council of the Slovak Republic a summary audit report for the previous calendar year and interim reports on the results of individual audits. In cases where particularly serious irregularities are detected or important information is detected during the audit, the President of the SAO informs the National Council of the Slovak Republic and the other authorities.

Source: SAO of the Slovak Republic.

Appendix 4. Standards provided by internal control guidelines (United Kingdom)

The following are the standards detailed in the internal control guidelines:

1. Documentation

The internal control structure and all transactions and significant events are to be clearly documented, and the documentation is to be readily available for examination. The documentation of transactions or significant events should be complete and accurate. It should enable each transaction or event (and related information) to be traced from its inception through while it was in process to after its completion. Following are examples of the detrimental effects of not having adequate documentation:

- First, the National Audit Office (NAO) in the United Kingdom reported instances of non-existent or inadequate documentation to support the financial transactions that they identified during financial audits. For example, this Office reported instances of: employees not providing supporting documentation when they declare expenses they have settled using government credit cards; inadequate documentation to support the claims of legal aid applicants, which results in insufficient evidence to confirm entitlement and proper payments, as authorized by parliament; and the government body being unable to produce documentation to support the decisions of its management board to dispense with competitive tendering for a contract.
- Second, government departments, ministries and statutory bodies have also identified non-existent and incomplete documentation and records. For instance, in one department, copies of receipts had been misplaced, but the accounting officer and the accounts section did not consider this to be serious or contrary to laws and regulations.

To help overcome deficiencies such as these, a standard is that documentation of transactions or significant events should be complete and accurate. This should enable every transaction and event (including the related information) to be traced from its inception, while it is in process, to after its completion.

2. Prompt and proper recording of transactions and events

All transactions and significant events are to be promptly recorded and properly classified. This applies to the entire process or life cycle of a transaction or event, including: its initiation and authorization; all the stages while it is in process; and its final classification in summary records. For example, the Office has also reported instances that it has classified as control weaknesses involving transactions not being promptly and properly recorded. In one instance, procedures were not in place to ensure the prompt and secure handling and recording of cash receipts. For example, the NAO identified delays of over two weeks in depositing checks, which increased the risks of misappropriation. In another case, the NAO reported financial control weaknesses in purchasing, including failure to record the authorization of transactions, such as purchase orders, inadequate proof of delivery and inadequate verification of goods received.

A required standard is the prompt and proper recording of information. Meeting this standard is pivotal to assuring the timeliness and reliability and thus the value and relevance to management of all the information used by an organization to support its operations and decision-making.

3. Authorization and execution of transactions and events

Another standard is that transactions and significant events must be authorized and executed only by those authorized to do so, also meaning that employees must execute their assigned duties. Based on studies of internal control problems in this area, auditors in China have advised that the concept of internal control must cover authorization. According to them, control is necessary to help ensure that personnel work within the limits of their permitted authority and thus exert control over business activities within the scope of their assigned responsibilities.

4. The separation of duties

As with the other detailed standards, there is a risk of error, waste or wrongful acts if only one person controls all the key stages of a transaction or event. In this regard, a standard is that key duties and responsibilities in authorizing, processing, recording and reviewing transactions and events must be distributed among different individuals.

However, the United Kingdom's NAO reports that it is often difficult for small organizations to maintain proper separation of duties. This Office has come across cases where staff are able to both authorize and check payments; where they can requisition, authorize and receive goods; and where there is no evidence that supervisory checks are carried out. Adequately separating duties in small organizations is difficult. As a result, the guidelines state that management must be aware of the consequent potential risks and compensate for them with adequate controls. For instance, the rotation of employees could help ensure that one person does not deal with key aspects of transactions or events for an undue length of time.

5. Supervision

The guidelines recommend that competent supervision should be provided to ensure that internal control objectives are achieved. The efforts of INTOSAI members to implement and audit internal controls have underscored the importance of the proper supervision of assignments and employees, as a fundamental internal control mechanism.

The NAO of the United Kingdom has found that adequate supervision is essential in operations such as those related to contracts. It found that monitoring the operation of contracts is key to ensuring that suppliers meet the terms and conditions of the contract for price, standards and delivery and that the contract remains competitive. To help ensure proper supervision, a standard states that supervisors are to review and approve, as appropriate, the assigned work of their employees. They must also provide their employees with the necessary guidance and training so that errors, waste and wrongful acts are minimized and that specific management directives are understood and achieved.

6. Accountability: access to resources and records

The final INTOSAI standard instructs that access to resources and records is to be limited to individuals who are authorized to use them and/or have them in their custody. To ensure accountability, the resources are to be periodically compared with the recorded amounts to determine whether the two agree. The assets' vulnerability should determine the frequency of comparison. Restricting access to resources and a periodical reconciliation of records reduces the risk of unauthorized use or loss to the government and to helps achieve management directives.

Source: INTOSAI, 2002.

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The book

In the former communist countries, education could become the key element for combating corrupt behaviour and promoting integrity and ethics. Possible strategies include establishing clear and transparent systems of budgeting, auditing, examination and developing courses that raise awareness on corrupt practices and create a common understanding of what the values of the society are. Some of the best practices are described in this booklet, such as:

- the development of the 'student basket' and the reform of the system of teacher remuneration in Lithuania;
- the university audit system in Slovakia;
- the reform of the secondary school graduation exams in Ukraine;
- the methodology of ethics training and anti-corruption education in Bulgaria.

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