

## BACKGROUND

- 8.1** The regional administration office of the Strait Regional School Board (SRSB) is located in Port Hastings, Inverness County. Regional operations, technology and professional development services are provided through facilities located in Mulgrave, Guysborough County. In 2004-05 total student enrollment was 8,957 of which 8,510 or 95% were bused to the region's 27 schools. SRSB's jurisdiction encompasses an area of approximately 11,000 square kilometers with a population base of 61,410. SRSB serves the four counties of Antigonish, Guysborough, Inverness and Richmond.
- 8.2** The legislative authority for the provision of publicly-funded education programs and services in the Province falls under the Education Act and regulations. This legislation includes a definition of the general roles and responsibilities of the many stakeholder groups involved in the delivery of public school programs including the Minister, Regional School Boards, senior management, teachers, parents and students.
- 8.3** Regional School Boards (RSBs) are accountable to the Minister of Education and responsible to administer the public schools within the school region. The Board responsible for Strait region's schools is comprised of 12 members, 11 of whom are elected and one Mi'kmaq representative appointed by the Minister of Education. The term of office of current SRSB members is from November 2004 to November 2008. The SRSB has one standing committee which is the Working Committee of the Board. Several other ad hoc committees are also created to address specific issues identified by the SRSB (see paragraph 8.64).
- 8.4** The Superintendent is accountable to the SRSB and has overall responsibility for the operation of the school board office and public schools, as well as the supervision of all SRSB employees. The Superintendent is supported by three Directors who have operational responsibility in the following areas: Programs and Services, Finance and Human Resources, and Operations. The Superintendent and the Directors form the senior management group at SRSB.
- 8.5** The SRSB employs a total of 1,083 staff including 618 (full-time equivalents) teaching staff and 465 employees who provide support services to the Board. Actual total expenditures for the SRSB in 2004-05 were \$71.7 million, budgeted expenditures for 2005-06 are \$69.9 million. At March 31, 2005 the accumulated surplus at the SRSB was \$4,346,049 of which \$2,836,809 related to tangible capital assets and was not available for other expenditures.
- 8.6** Unlike some of the other RSBs in the Province, SRSB operates all aspects of its student transportation system rather than contracting out to a third-party service

provider. Article 31 of the CUPE Local 955 agreement stipulates that “ no work or services presently performed by Employees shall be contracted out, . . .” Student transportation systems must be operated in accordance with federal and Provincial legislation such as the Education Act, Environment Act, Motor Carrier Act and the Motor Vehicle Act and Regulations. The average cost of bussing students at the SRSB in 2004-05 was \$711 per student.

- 8.7** In November 2001 the Province contracted PricewaterhouseCoopers to conduct a forensic audit at the SRSB due to allegations of irregular financial transactions and contractual commitments. The resulting report from the forensic audit raised concerns of significant financial mismanagement. In April 2002 the Province revoked the regional status of the SRSB. A pilot structure was created where an elected District Board was responsible for governance of the education system and support services were provided to the District Board by the Province through a Regional Board. In August 2004 the Province made changes to the Education Act and Regulations which returned the Strait District Board back to regional status with all the same authorities and responsibilities as other Regional School Boards.
- 8.8** We have not conducted any previous audits at SRSB.

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## RESULTS IN BRIEF

- 8.9** The following are the principal observations from this audit.
- Most areas we examined were governed and managed appropriately. We made recommendations to strengthen certain aspects of operations and governance.
  - The SRSB approves an annual budget and business plan consistent with the requirements of the Department of Education. There is no formal system to monitor progress on all goals, priorities and performance measures included in the business plan. However, we acknowledge that the Board actively monitors certain important initiatives such as student performance and staffing.
  - The Department of Education has made changes to the Education Act respecting senior management pay scales and commercial activity designed to help promote consistency in all school boards in the Province. We believe the Department needs to seek Executive Council approval for commercial activity and establish appropriate pay scales for all non-unionized staff.
  - The SRSB has established a process for the annual evaluation of the Superintendent’s performance. We have noted areas where this process could be improved including use of measurable performance criteria and targets.
  - SRSB management created procedures and a process to monitor school-based funds at the school level. We noted some exceptions to recommended procedures at the two schools we visited.

- The SRSB needs to develop a policy which details the requirements for criminal and child abuse record checks for bus drivers and other Board staff and the action to be taken if issues are found. The current practice of SRSB is to perform checks for new employees only and is consistent with a decision made by the Department of Education and Regional School Boards.
- SRSB should investigate the potential for significant fuel cost savings through purchase of fuel from Department of Transportation and Public Works facilities throughout the Strait region. Our audit work identified significant savings in the one area where such purchases had been implemented.
- The SRSB needs to strengthen its process for monitoring fuel consumption to help ensure detection of any inefficient or inappropriate use.

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## AUDIT SCOPE

- 8.10** The major objectives of our audit of the Strait Regional School Board were to review and assess:
- Board compliance with by-laws and certain aspects of the Education Act and Regulations focusing on general responsibilities of School Boards and accountability to the Department of Education;
  - appropriateness of information provided to the Board to enable it to fulfill its stewardship responsibilities;
  - compliance of student transportation operations with applicable legislation;
  - management processes, operational systems and practices to achieve due regard for economy and efficiency in the student transportation area; and
  - financial transactions for the fiscal year 2004-05 and test a sample of transactions for compliance with Board policies.
- 8.11** Our audit criteria were obtained from recognized sources and have been accepted by the Board as appropriate.
- 8.12** Detailed on site fieldwork was conducted during January and February of 2006. Our audit procedures consisted of an analysis of 2004-05 expenditures, detailed testing of a sample of expenditures and bus maintenance files, review of relevant Board and Committee minutes, interviews with management and Board representatives, as well as examination of other documentation deemed to be relevant. Our audit procedures also included interviews with management of the Nova Scotia Utility and Review Board (NSURB), Department of Education (DOE) and Service Nova Scotia and Municipal Relations (SNSMR) and a review of school-based funds at two schools.

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## PRINCIPAL FINDINGS

### Business Planning and Performance Reporting

- 8.13** **SRSB educational business plan** - An educational business plan is prepared annually by management and submitted to the Board for review and approval. The business plan is prepared using a template provided by the Department of Education and includes goals and priorities for the upcoming year as well as a report of achievements and outcome measures specific to each goal identified in the plan. Although the priorities and goals in the business plan can have a longer-term focus the Board has recognized the need to develop a long-term strategic plan. Management does not currently prepare operational plans supporting the goals and priorities identified in the business plan.
- 8.14** **Monthly Directors' reports** - Directors prepare monthly reports for review and discussion during Working Committee meetings. Based on our review of a sample of these reports and through discussions with management we noted that regular, formal reporting to the Board does not include monitoring of progress against all the goals, priorities and performance measures detailed in the business plan and should be improved. However, we acknowledge that certain important initiatives such as student performance and staffing are actively monitored. Both management and Board representatives indicated performance reporting against the business plan tends to be done verbally during meeting discussions.

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#### Recommendation 8.1

**We recommend that the Board ensure that management regularly reports progress against all goals, priorities and performance measures detailed in the annual educational business plan.**

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### Approval and Monitoring of Annual Budget

- 8.15** **Budget approval** - The initial draft budget is prepared by management and provided to the Board for review and challenge during a special Working Committee meeting. The 2005-06 operating budget was approved by the Board on June 15, 2005 during a regular Board meeting.
- 8.16** Prior to receiving the draft budget, the Board reviews and approves the staffing levels for all schools and central office staff. These staffing levels form the basis for the salary budget for the next year. Based on discussions with Board Finance staff, we noted that other assumptions and calculations supporting the budget would be provided to Board members during verbal presentations but are not formally documented. We also noted that the link between what is being funded in the budget and the priorities and goals in the business plan is not clear, although we acknowledge that not all priorities and goals would require additional financial resources.

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**Recommendation 8.2**

**We recommend that important information such as budget assumptions and calculations as well as the link between the business plan and the budget be formally documented and provided to the Board.**

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- 8.17** **Financial monitoring** - Overall financial information reported by management to the Board is appropriate and there is opportunity for Board members to review and challenge the information provided. We noted that there is no reporting to the Board with respect to the use of school-based funds with the exception of the audited financial statements. Also, the process of forecasting financial results to year end should begin earlier in the fiscal year and include all line items with narratives provided for significant variances.

### **Compliance with the Education Act and Regulations**

- 8.18** **Reporting to the Department of Education** – The Education Act and regulations require that specific reports be provided to the DOE within a specified time period. We noted that reporting requirements for 2004-05 were met by SRSB with the exception of the Salaries and Expense report which was submitted after the stated deadline, although the Department had approved an extension.
- 8.19** **Board management pay scales** - The Ministerial Education Act Regulations establish the pay scales for Regional School Board senior staff. The regulations define senior staff to include the Superintendent and Directors. We examined the pay scales of senior staff at the SRSB and concluded that they were in compliance with the regulations.
- 8.20** We noted that pay scales for non-union staff are not consistent among Regional School Boards. We believe that the Department needs to provide salary guidance for all non-union positions to ensure consistency throughout the Province.

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**Recommendation 8.3**

**We recommend that the Department of Education and RSBs establish salary guidance for all non-union staff at Regional School Boards.**

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- 8.21** **Commercial activity** – Section 64 (A) of the Education Act states, “A school board shall not engage in or carry out any commercial activity, including lending, without the approval of the Governor in Council.” The regulations provide some additional guidance on the definition of commercial activity, but the intention is not clear. However, the Department of Education wrote to all school boards in 2002 indicating that commercial activity included “all activities being (or anticipated to be) conducted in the present fiscal year for which gross revenue is generated for the board, including community use of schools activities” and asking for a report of relevant activities. SRSB responded with a list of its

activities. The Department of Education accumulated a list of commercial activities at all school boards in 2002 but did not request Executive Council approval.

- 8.22** We found that SRSB rents space and equipment to local business and community groups during both regular and after school hours but to date the rental income generated has been insignificant.

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#### **Recommendation 8.4**

**We recommend that the Department of Education seek Executive Council approval for school board commercial activities as required under Section 64 (A) of the Education Act.**

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- 8.23** *Audit Committee* – The Board Audit Committee fulfills its responsibilities under the Education Act. In the August 2005 Committee minutes, a motion was passed to recommend that the new Audit Committee consider hiring an internal auditor to provide further support to the Committee. This issue was discussed at the initial meeting of the new Committee where it was decided that an internal auditor was not required.
- 8.24** *Attendance at Board meetings* – The Education Act stipulates requirements for Board member attendance at meetings. Members who miss three consecutive regular meetings without a reasonable excuse will cease to be a member of the school board. Our review of Board attendance since November 2004 indicated that members were in compliance with the Act although we did note indications of poor attendance by some members. We acknowledge that the governance model in effect at the Board does require member attendance at many meetings. The Chair of the SRSB estimated member time requirements to be three meetings totalling 12 to 18 hours a month. Board members participating on committees would have additional time requirements.

### **Board Governance**

- 8.25** *Annual evaluation of the Superintendent* – The Board performs an annual performance evaluation of the Superintendent. We reviewed the performance criteria used for the 2004-05 evaluation. We noted that the criteria were not formally agreed to by both the Board and the Superintendent at the beginning of the year and in many cases they were so broad that measurement was difficult. For the evaluation process to be most effective, performance expectations should be defined at the beginning of the year and include specific targets for which results can be measured. The Board is currently working in conjunction with the Nova Scotia School Boards Association and DOE to develop and implement a Provincial strategy for evaluation of all Superintendents. Implementation is planned for the 2006-07 academic year.

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**Recommendation 8.5**

**We recommend that annual performance expectations for the Superintendent should be clearly defined and include measurable performance targets.**

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- 8.26** **Annual evaluation of Board members** - To help ensure the SRSB continues to be effective with respect to its governance roles and responsibilities, it is important that the performance of the Board and individual members be evaluated annually. This process could be in the form of a self-evaluation where accomplishments are compared against goals and targets established at the beginning of the year. The Board currently does not have such a process in place.
- 8.27** **Expense claim documentation** – As part of our review of SRSB expenditures we tested the documentation supporting a sample of eight senior management and four Board member expense claims. We noted five instances where supporting documentation for senior management claims needed improvement. For example, we noted cases where hospitality meals were claimed without documentation of the name and reason. Copies of debit or credit card slips, rather than the original invoice, were filed in some cases. The SRSB travel policy requires that receipts be provided to support claims for meals but should be updated to specifically address hospitality meals provided by management.

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**Recommendation 8.6**

**We recommend that the SRSB update its travel policy to improve documentation supporting expense claims.**

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### School-Based Funds

- 8.28** **Safeguarding of school-based funds** – Individual schools and students raise funds to help support various school activities during the year. These funds are managed by the individual school and are ultimately the responsibility of the principal. At March 31, 2005 the audited financial statements of the SRSB reported the balance of school-based funds to be \$676,575 which included additions during the year of \$1,212,507 and disbursements of \$1,048,099. The audit report included a qualification with respect to the completeness of such funds. The large amounts of cash pose a potentially high risk. The SRSB has implemented controls to address this risk.
- 8.29** Management at SRSB has created guidelines respecting the safeguarding of school-based funds. These guidelines have been distributed to the schools and include requirements for bank accounts, cash receipts and disbursements, bank reconciliations and submission of an income and expense statement at the end of each school year to head office. These guidelines have not yet been approved by the Board but have been distributed to all schools. The SRSB plans to develop a policy on school-based funds in the spring of 2006.

- 8.30** Management has established an ongoing process of visiting schools every two years to assess compliance against these guidelines and make recommendations for improvement. We visited two schools to assess whether guidelines were being followed and to identify possible areas for improvement. We noted a few instances where guidelines were not being followed. For example, at one school receipts were not being provided when cash was collected and the other school had multiple bank accounts.

### Student Transportation Function

- 8.31** **Background** - The student transportation system is administered from the Mulgrave operations building. The Board employs two Pupil Transportation Managers (Managers) who are responsible for supervising and monitoring the daily busing of students (see Exhibit 8.1). The SRSB had 8,957 students enrolled during the 2004-05 school year, of which 8,510 or 95% were transported to school by SRSB (see Exhibit 8.3). The average cost of busing a student at SRSB is \$711 per year and the average distance traveled is 70 kilometers per day.
- 8.32** **Students eligible for transportation** - Section 6.1 of the Governor in Council Regulations under the Education Act requires that school boards transport all students who reside more than 3.6 kilometers from school. Department of Education officials informed us that the distance specified in the regulations is the minimum level of service to be provided and that school boards can develop their own transportation policy based upon the particular circumstances which exist in the jurisdiction.
- 8.33** The SRSB has approved policy guidelines relating to student transportation service standards which include eligibility criteria. The SRSB transports all students in Primary to Grade 8 who reside more than 0.8 kilometers from school and all students in Grades 9 to 12 who reside more than 1.6 kilometers from school. SRSB management informed us that the distances currently being used were based on a 2001 review which included extensive community consultation and analysis including a comparison with other RSBs. Our review of distances reported by other school boards to the DOE in November 2004 indicated that there is a wide variation in distances currently being used. We acknowledge that safety conditions for walking, such as whether sidewalks are present, also vary among RSBs. SRSB management is not aware of the costs associated with providing an enhanced level of service beyond what is required under the Education Act. Management indicated that a Board Committee plans to review standards in the current year.
- 8.34** Student transportation funding provided by the DOE to school boards is based on two different methods. Baseline funding represents 75% of the total transportation funding and is based on a fixed dollar amount of \$41,100 per approved bus. The remaining 25% of the funding received is determined by a formula which considers such factors as student enrollment and the square mileage covered by the school board.
- 8.35** **Courtesy busing** - The Board has a policy on the transportation of courtesy students. Courtesy students will be transported if the bus does not have to be

re-routed, space is available and the additional stop will not unduly extend the traveling time of the first student picked up. The SRSB does not maintain any statistics on the number of courtesy students transported.

- 8.36** **Establishing school bus routes** – The SRSB policy guidelines describe a process of ongoing review of bus routes including detailed reviews in certain geographical areas each year. Management indicated that route planning involves creating and scheduling bus routes and stops after assessing upcoming transportation needs and legislated requirements.
- 8.37** Section 14.2 of the Governor in Council Public Passenger Motor Carrier Act Regulations requires that there be a maximum of three stops every 1.6 kilometers. NSURB management indicated that additional stops would pose a potential safety risk. We selected a sample of four bus routes from maps provided by management and assessed compliance against Section 14.2 of the Act. In all four cases sampled, management indicated that the number of stops exceeded the regulations and they have subsequently adjusted the stops accordingly. We were told that management is aware of the regulation and does not knowingly deviate from it.
- 8.38** **Licensing, hiring and training school bus drivers** - School bus drivers play a vital role in ensuring students are safely transported to school. Licensing of bus drivers is the responsibility of the Registry of Motor Vehicles and includes written and road tests along with proof of medical fitness. The hiring and training of bus drivers is the responsibility of the Board. The majority of bus drivers at the SRSB work five-hour days, 191 days of the year. We selected a sample of bus drivers to determine whether SRSB had collected and reviewed appropriate documentation as per Board policy. We had no findings except those noted in the following paragraph.
- 8.39** We were informed by SRSB management that, based on a decision made by the Department of Education and Regional School Boards, child abuse and criminal record checks were not required to be performed on bus drivers, or any other staff, employed by Boards. All new employees were to have child abuse and criminal record checks; existing employees were exempt. The decision was primarily due to the administrative burden on the agencies which would need to perform the checks on all existing school board employees across the Province. However, there is no policy guidance on action to be taken when checks identify potential safety risks. In addition, the initial training program for casual drivers does not include first aid or professional driver improvement or defensive driving training although this training is provided at a later date.

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### **Recommendation 8.7**

**We recommend the Board update its policy on performance of child abuse and criminal record checks to clearly state action to be taken if risks are identified.**

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- 8.40** **Student bus safety training** - A student safety program is provided to all students in Primary to Grade 4 each year. The program includes training on a bus, a bus safety video and take-home safety material.
- 8.41** The SRSB requires that bus drivers perform emergency evacuation drills three times per year. A bus evacuation form must be completed by the bus drivers for the first evacuation drill, signed by the school principal and submitted to the Operations Division. We noted instances where these forms had not been submitted. We also noted the second and third evacuation drills are not required to be documented in writing.
- 8.42** **Nova Scotia Pupil Transportation Advisory Committee** - The Board is a member of the Nova Scotia Pupil Transportation Advisory Committee. The objectives of the Committee are to promote safety in pupil transportation, develop and share knowledge, and administer the Nova Scotia Pupil Transportation Achievement Awards process.
- 8.43** Each year the Committee presents Achievement Awards including an evaluation of several aspects of pupil transportation operations. The SRSB has been awarded a gold rating since its creation, except for 2004 (the most recent year) when it was awarded a silver award. Causes of the lower rating were failure to provide recommended training/retraining to all bus drivers, concerns over the cleanliness of the Mabou garage and the bus fleet, and instances of non-adherence to the requirement of a maximum of three bus stops every 1.6 kilometers. Board staff informed us action has been taken to address certain findings and the remaining findings will be addressed in the future.
- 8.44** **Private conveyors** - The Board uses private conveyors in cases where busing is not practical. During the 2004-05 academic year, 12 private conveyors were contracted by the SRSB to transport 30 students at a cost of \$86,908 or \$2,897 per student. The Board has developed standard payment rates and all private conveyors are required to sign a Student Conveyance Contract, and submit certain documentation including a bi-weekly claim for payment signed by the school principal.
- 8.45** We examined a sample of claims and required documentation for two private conveyors. We had no findings as a result of our examination of claims submitted. We did, however, identify some issues with respect to file documentation such as:
- There is no checklist used to ensure that all documents were received.
  - Neither private conveyance contract was signed on behalf of the Board.
  - There was one instance where a replacement driver had been convicted under the Criminal Code of Canada for driving while impaired prior to his application to the Board.
- 8.46** Management indicated that the replacement driver noted in the file we reviewed was not authorized to drive, had been notified that he was ineligible by phone, and did not drive for SRSB. However, this was not evident based on our examination

of the documentation in the file and we recommend that documentation be improved.

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### **Recommendation 8.8**

**We recommend that SRSB establish a process to ensure that all required documents supporting the use of private conveyors are received and appropriately reviewed.**

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## **Fleet Operations Management**

- 8.47**     **Background** - The SRSB performs in-house maintenance and repairs on all its buses except for certain types of warranty work. The majority of this work is performed at the Mulgrave garage with the exception of minor repairs which are performed at the satellite garages in Mabou, Inverness County and Sherbrooke, Antigonish County. With the exception of management, SRSB employees are unionized and subject to the provisions of related collective agreements. See Exhibit 8.3 for key statistical information.
- 8.48**     **Reporting to Board and senior management** - Managers reporting to the Director of Operations are not required to prepare periodic status reports. Monthly meetings are held to discuss significant issues or concerns within the Division. The Director is responsible for preparing a budget, monitoring actual expenditures and forecasting expenditures to year-end for his areas of responsibility (see Exhibit 8.1 for organization chart). The Director is a member of the senior management team and verbally reports on his areas of responsibility during weekly senior management meetings.
- 8.49**     The Board is presented with monthly financial statements which show the actual and budgeted expenditures for the current year and actual expenditures for the previous year. An appropriate breakdown of pupil transportation expenditures is included in the statements. The Board also receives a monthly operations report which includes information on significant issues and initiatives related to student transportation and routing.
- 8.50**     **Monitoring of garage operations** - The Manager of Fleet Maintenance is responsible to monitor daily garage operations. Using a computerized fleet maintenance program called “Dossier” a report is prepared that identifies all outstanding work orders. This report is used by the Manager to monitor operations. Upon completion of each work order, mechanics are required to record the time it took them to complete the work. This information is entered into the Dossier system.
- 8.51**     The Board has not established efficiency standards to assess the performance of garage and body shop staff. Management indicated that although efficiency standards have not been established, time on task is routinely compared informally against standard warranty work times and expected average mechanic’s time by task. Management also indicated that the number of units per mechanic is

compared with other RSBs. We believe a more formal process should be developed to monitor actual results against efficiency standards.

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### Recommendation 8.9

**We recommend that the Board, in cooperation with DOE and other Regional School Boards, establish a formal process to monitor garage and body shop operations against approved efficiency standards.**

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- 8.52** **School bus maintenance program** - The Board has developed a formal maintenance schedule for its bus fleet based upon the number of hours and days school buses are in service. The Board uses the Dossier system to schedule and track all maintenance and repair work. This system is not being used to track the cost of fuel by bus (see paragraph 8.63).
- 8.53** We selected four buses and reviewed maintenance files to assess whether service standards were met. In all four cases, evidence in the maintenance files suggests that service standards have been met and in some cases exceeded. We noted that required preventative maintenance checklists supporting the work performed were not being properly completed.
- 8.54** **Nova Scotia Utility and Review Board inspections** - NSURB inspectors perform motor vehicle inspections on all school buses twice a year. Section 40 of the Public Passenger Motor Carrier Act Regulations requires the Board to inspect all school buses between July 1 and August 31. The SRSB also performs an annual brake inspection.
- 8.55** With the assistance of NSURB management, we compared the deficiencies noted on the NSURB September/October 2005 bus inspection reports to the SRSB inspection reports performed during the summer of 2005. We noted cases where NSURB identified deficiencies that should have been addressed during Board summer inspections. Management indicated that, in some cases, SRSB staff may have missed the deficiency noted on the NSURB inspection. In other cases, the requirement for work was a matter of professional judgement. Some of the deficiencies identified could have occurred between the inspection periods.
- 8.56** **Fuel storage tanks** - The SRSB currently operates six bulk fuel storage tanks in various locations throughout the region. The Petroleum Management Regulations under the Environment Act stipulate certain requirements which must be met when storing large amounts of fuel including regular monitoring, inspection and maintenance of tanks. To date, SRSB has not developed a policy relating to fuel storage tanks such as a schedule for tank retirement although all tanks are fiberglass with cathodic protection which helps limit the risk of leaks. It is important to note that SRSB self-insures its fuel storage tanks so clear policies and procedures designed to mitigate risk are important.

- 8.57** We requested SRSB management to complete a questionnaire detailing current fuel storage practices. The responses identified areas where the SRSB was not complying with the regulations. For example, there was no recording of visual inspections or maintenance on above-ground tanks, and inventory levels in below-ground tanks were not being monitored. Management indicated that new procedures were implemented as a result of the audit. We also identified one case where a storage tank was no longer used and written approval to abandon the tank had not yet been sought from the Department of the Environment as required by legislation.

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**Recommendation 8.10**

**We recommend that SRSB develop and implement a policy with respect to fuel storage tanks and ensure current practices comply with legislation.**

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- 8.58** **Procurement of fuel** - Diesel and gas purchases by the SRSB in fiscal 2004-05 totaled approximately \$820,000 which represents 1,083,565 liters of diesel and 158,387 liters of gas (see Exhibit 8.4). The SRSB currently uses three different sources for fuel purchases: bulk purchases, which are stored at SRSB facilities; direct purchases from Department of Transportation and Public Works (Antigonish only); and retail stations.
- 8.59** Management has indicated that, due to the large geographical region covered by the SRSB including many remote communities, determining the most economical method to purchase fuel is difficult. For example, factors such as the distance a bus must travel to receive fuel as well as the risks and costs associated with the bulk storage of fuel need to be considered. Management indicated that a fuel procurement review was conducted by the Board in 2004-05 resulting in a decision to install fueling tanks with automated dispenser systems at the Mulgrave and Mabou facilities. This decision was expected to significantly reduce fuel costs and provide better information to analyze fuel usage and costs in the future.
- 8.60** We requested a copy of the analysis supporting the decision to install automated dispensers. We expected the analysis would include identification and detailed evaluation of possible alternatives to clearly demonstrate that the action taken provides the best value for money. Although management has provided us with a description of the planned benefits of the action taken, a detailed analysis was not provided.
- 8.61** Our review of fuel purchases for 2004-05 and 2005-06 indicated that the percentage of diesel fuel purchased from retail stations declined from 50% in 2005 to 33% in 2006. During this time, the price per liter at retail stations was an average of \$0.25 higher than the amount SRSB paid for bulk-purchased fuel. It should be noted that there are additional costs associated with the storage of bulk fuel such as the cost and maintenance of fuel storage tanks which are not included in this analysis (see Exhibit 8.4). We also noted that diesel fuel purchased from

the Department of Transportation and Public Works (DTPW) over the same 2-year period was approximately \$0.20 per liter cheaper than the retail purchases.

- 8.62** We recognize that the options available to SRSB with respect to some of these purchases may be limited but we believe purchasing diesel fuel from DTPW sites throughout the Strait region would lead to cost savings if DTPW has the capacity to meet SRSB's needs. SRSB management indicated that they recognize the potential cost savings to the Board by purchasing fuel from DTPW. However, past attempts to reach an agreement with DTPW have failed.

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**Recommendation 8.11**

**We recommend that SRSB and DOE continue to investigate opportunities for the purchase of fuel from DTPW facilities.**

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- 8.63** **Monitoring fuel consumption and use** - Based on discussions with management and our review of relevant documentation, we noted areas where practices for monitoring fuel consumption and use should be improved. For example, the SRSB does not monitor fuel usage by vehicle over time which would provide valuable information with respect to the efficiency of vehicles as well as possible misuse of fuel by staff. Management indicated that daily fuel records and monthly automated dispensing printouts from the Board-owned system and DTPW software are reviewed to detect abnormal fuel usage. The most significant risk relates to fuel purchases from retail outlets which are more difficult to monitor.

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**Recommendation 8.12**

**We recommend that SRSB strengthen its procedures for monitoring fuel consumption and use.**

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- 8.64** **Transportation Committee** - An ad hoc Transportation Committee has been established by the SRSB to study and make recommendations concerning extra curricular and co-curricular activities, standards, policies and procedures, fleet management, fleet maintenance and operations, routing practices and procedures and cooperation between school boards. A final report is to be presented to the SRSB in June 2006.

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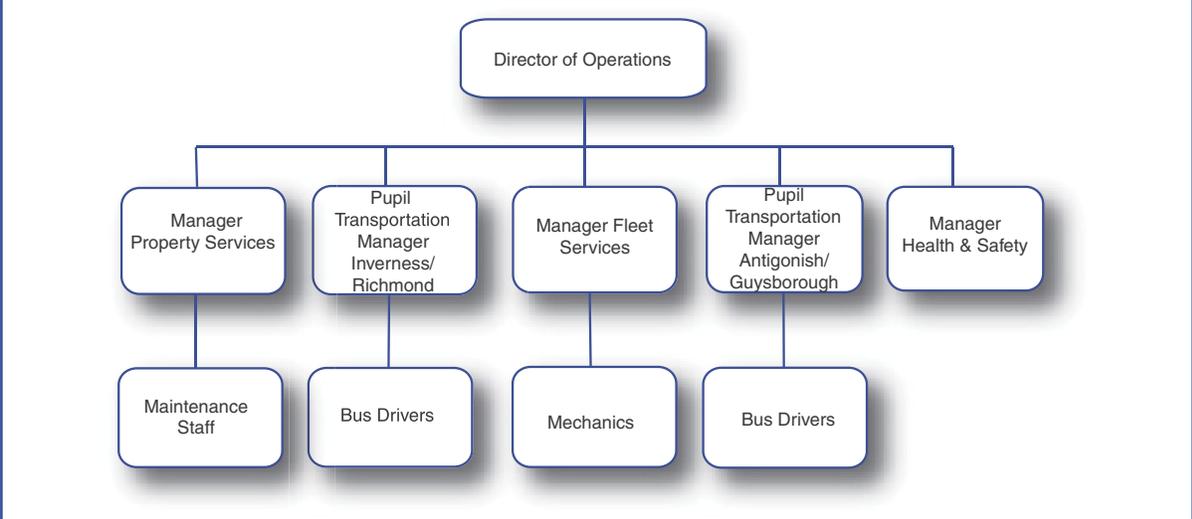
**CONCLUDING REMARKS**

- 8.65** Overall, we concluded that most areas we examined were governed and managed appropriately. Management is providing appropriate information to the Strait Regional School Board to fulfill its stewardship responsibilities although improvements can be made with respect to formally documenting some important information. We believe that important governance responsibilities

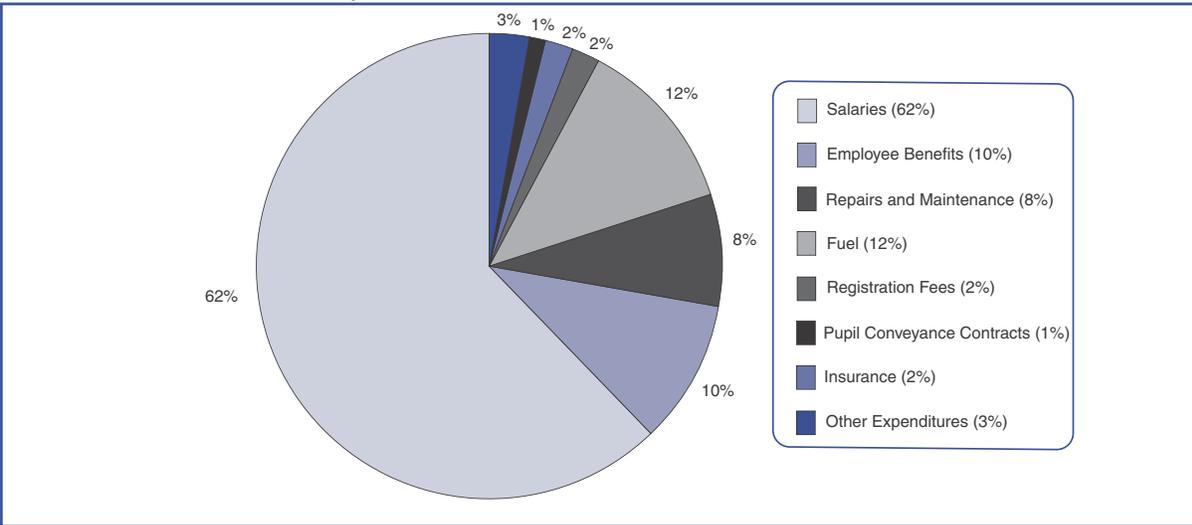
such as monitoring of organizational goals and priorities and evaluation of the Superintendent's performance are not receiving a sufficient amount of focus by the Board.

- 8.66** In 2004-05, expenditures devoted to transportation represented 8.4% of total SRSB expenditures. The significance of transportation costs leads to the requirement to manage them with due regard for economy and efficiency. We made several suggestions for improvement. Management of the student transportation system at the SRSB is complex and includes requirements to adhere to several different pieces of legislation. Our audit identified areas of non-compliance with certain legislative requirements which need to be addressed.
- 8.67** We understand that the rural nature of the SRSB poses significant challenges to management and, in some cases, provides limited options for possible alternatives to current practices. We believe that opportunities exist for possible cost savings in such areas as fuel purchases from Department of Transportation and Public Works depots. Potential savings warrant more detailed analysis by management. We also noted the need for better monitoring of fuel consumption and use to help ensure that such an expensive commodity is used appropriately and efficiently.
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**Strait Regional School Board  
Operations Division - Organization Chart**



**Pupil Conveyance Expenditures  
Year ended March 31, 2005**



Note: Expenditures for the year totalled \$6,051,001

Source: March 31, 2005 SRSB audited financial statements

**Strait Regional School Board - Key Statistical Information  
2004-05 School Year**

Exhibit 8.3

Number of schools	27
Number of students enrolled	8,957
Number of students transported	8,510
Number of school bus routes	183
Number of regular buses	137
Number of spare buses	20
Number of kilometers traveled	3,235,571
Number of deadhead kilometers (distance traveled by a bus when no students are being transported)	849,989
Average loaded kilometer traveled by each bus each day	93
Average kilometer traveled by each student each day	70
Number of regular bus drivers	137
Number of spare bus drivers	58
Number of mechanics and other support staff	18
Number of private conveyors	12
Number of students transported by private conveyors	30

### Diesel and Gas Purchases Years ended March 31, 2005 and 2006

Diesel	Bulk Purchases		DTPW Antigonish		Retail		Total	
	2005	2006	2005	2006	2005	2006	2005	2006
Liters	318,112	498,189	230,231	230,038	535,222	348,705	1,083,565	1,076,932
% Total	29%	46%	21%	21%	50%	33%	100%	100%
Cost \$	171,026	398,890	135,497	202,482	420,904	363,276	727,427	964,648
% Total	23%	41%	19%	21%	58%	38%	100%	100%
\$/Liter	0.538	0.801	0.589	0.880	0.786	1.042	0.671	0.896
Gas	Bulk Purchases		DTPW Antigonish		Retail <sup>(2.)</sup>		Total	
	2005	2006	2005	2006	2005	2006	2005	2006
Liters	-	60,757	10,268	4,799	148,119	48,758	158,387	114,314
% Total	0%	53%	6%	4%	94%	43%	100%	100%
Cost \$	-	62,574	7,009	4,928	85,864	44,432	92,873	111,934
% Total	0%	56%	8%	4%	92%	40%	100%	100%
\$/Liter	-	1.030	0.683	1.027	0.580	0.911	0.586	0.979

Notes: (1.) These figures were provided by SRSB management and are shown before any tax rebate consideration which would be more significant for retail purchases. Total cost shown here will differ from the amount reported in the SRSB audited financial statements.

(2.) Retail purchases of gas in 2006 were made mostly in the early part of the year prior to significant price increases. This resulted in a lower average cost per litre in comparison to purchases in bulk or from DTPW.

## **STRAIT REGIONAL SCHOOL BOARD'S RESPONSE**

During the last several months, a broad scope audit of the Strait Regional School Board was completed by your Office. On behalf of the Strait Regional School Board and senior management, I would like to thank the staff of the Office of the Auditor General for the professional and thorough manner in which the audit was conducted. We enjoyed the process and found it very beneficial.

Board Members and staff learned a great deal throughout the process and are pleased with the overall progress the School Board has made during the last several years. We will work diligently to implement the recommendations outlined in the final report.

Again, I extend a sincere thanks for the cooperation we received. The Board will continue to work with all its education partners to ensure students in the Strait Region are benefiting from a well-managed and well-governed public school system.