



Chapter 1

Office of Regulatory Affairs and Service Effectiveness: Reducing Regulatory Burden

Overall Conclusions

- The Office of Regulatory Affairs and Service Effectiveness has effective processes in place to assess and measure regulatory burden reduction for businesses in Nova Scotia.
- The Office of Regulatory Affairs and Service Effectiveness uses client survey feedback and weekly reporting to assess if the Business Navigator program is meeting its objectives.

Why We Did This Audit

- Reducing regulatory burden allows businesses to spend more time on their business; this can be beneficial for the economy.
- The estimated overall regulatory burden on Nova Scotia businesses is approximately \$560 million.
- The unnecessary regulatory burden on Nova Scotia businesses is approximately \$200 million.
- In 2017, the Province of Nova Scotia set a target to reduce unnecessary regulatory burden by \$25 million by December 2018.
- The Province reported \$34.4 million annual reduction in unnecessary regulatory burden as of December 2018.

Assessment and Measurement of Regulatory Burden

The Office of Regulatory Affairs and Service Effectiveness:

- ensures reasonable assumptions are used for estimating impacts of regulatory changes on Nova Scotia businesses; this increases the likelihood of good estimates
- ensures that regulatory changes impacting businesses are assessed against the governing charter to promote better regulation
- has a process to ensure that estimates are accurately calculated and reported; however, minor improvements to documentation are needed
- provides appropriate training to departments on the Business Impact Assessment process so departments are better able to estimate the impact of regulation on businesses
- needs to ensure guidance documents and the Business Impact Assessment tool are updated on a regular basis and ensure the most current versions are used

Business Navigator Program

The Office of Regulatory Affairs and Service Effectiveness:

- uses weekly reports to regularly monitor the operations of the Business Navigator program and acts if needed
- provides initial and ongoing training to the Business Navigators
- sets strategic priorities for the program and monitors progress to evaluate success and takes action if needed



Recommendations at a Glance

Recommendation 1.1

The Office of Regulatory Affairs and Service Effectiveness should ensure that guidance documents and the Business Impact Assessment tool are regularly updated, and the most current versions are used.

1 Office of Regulatory Affairs and Service Effectiveness: Reducing Regulatory Burden

Background



Reducing regulatory burden on Nova Scotia businesses

- 1.1 The Office of Regulatory Affairs and Service Effectiveness (the Office) has two functions:
 - to reduce undue provincial burden on Nova Scotia businesses; and
 - to align, where possible, regulatory systems across the Atlantic region. This work is undertaken by a partnership of the four Atlantic provinces.
- 1.2 While an inter-jurisdictional approach across the Atlantic region exists, our audit focused on the Office's function to reduce regulatory burden on Nova Scotia businesses.

What is regulatory burden?

Regulatory burden or 'red tape' is the time and cost business spends dealing with regulations. Unnecessary regulatory burden includes: outdated, overly complex or duplicative rules, and processes or paperwork that provide little or no value to consumers, employees, the environment, government or businesses.

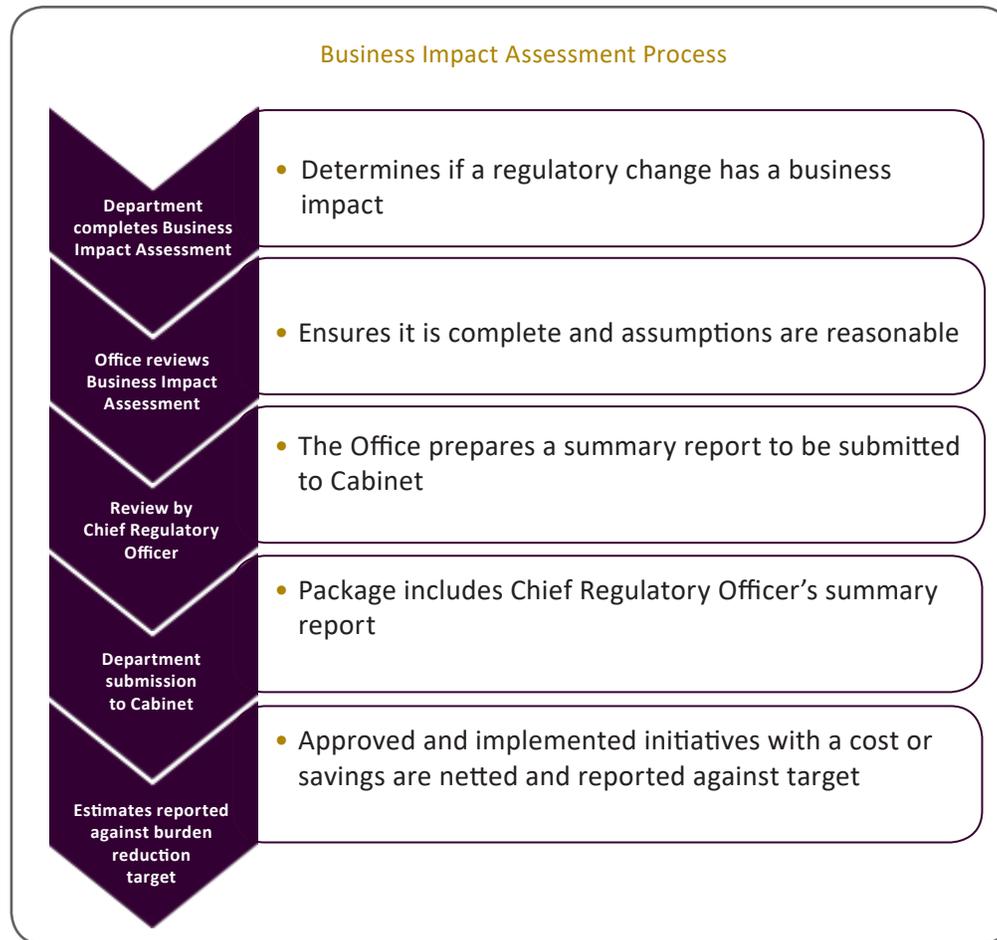
- 1.3 Between the federal, provincial, and municipal governments, the estimated overall regulatory burden on Nova Scotia businesses is approximately \$560 million. The Office determined that the unnecessary regulatory burden to businesses is estimated to be approximately \$200 million.
- 1.4 In 2017, the Province of Nova Scotia set a target to reduce unnecessary regulatory burden by \$25 million by the end of 2018. The objective of reducing regulatory burden is to allow businesses to spend more time on their business, which can be beneficial for the economy.
- 1.5 Not all regulatory burden is unnecessary. For example, regulations for health and safety purposes are in place to protect against harm to human life. In contrast, regulatory burden reduction is focused on changing regulations that do not provide value. For example, changing a regulation to allow businesses to provide electronic documentation rather than paper, allows businesses to save time and paper costs.



- 1.6 As of December 31, 2018, the Office reported that the net regulatory burden reduction was \$34.4 million annually – 138% of the original target. See Appendix II for a listing of the regulatory changes included in the \$34.4 million. The Office set a new target of an additional \$10 million net annual reduction by the end of 2020. We audited the Office’s process to ensure the estimates used were reasonable; we did not audit the accuracy of the numbers reported.
- 1.7 The Atlantic provinces agreed to a charter of governing principles to guide regulatory change. The intent of the charter is to outline best practice principles for regulatory design and promote better regulation. It has the following core themes:
- Regulation should be a last resort; non-regulatory options like education, voluntary compliance, incentives, and self-regulation should be used, if possible.
 - Regulation should be in the lightest form possible and based on a compelling cost-benefit analysis that includes cost to businesses and government, and its overall economic impact.
 - The process of making regulations should be transparent and consultative with affected parties.

The Office uses this charter to assess all regulatory changes that have an impact on businesses. See Appendix III for a summary of the governing charter.

- 1.8 To assess regulatory changes against the charter and estimate burden reduction, the Office developed the Business Impact Assessment tool. Management indicated the tool is based on an internationally accepted methodology. The tool calculates an estimate of expected costs or savings for Nova Scotia businesses as a result of complying with regulatory requirements.



- 1.9 The department responsible for specific regulatory changes completes the Business Impact Assessment tool and submits it for review to the Office of Regulatory Affairs and Service Effectiveness. The Office reviews the submission and outlines the expected impact in the Chief Regulatory Officer's summary report. The cost or savings of each regulatory change that impacts businesses is totaled to determine the net regulatory burden reduction.

Assessment and Measurement of Regulatory Burden



Process in place to ensure the estimated impact to businesses is reasonable

- 1.10 Using the Business Impact Assessment tool, the department responsible for the regulations calculates the regulatory burden; however, it is just an estimate. By their very nature, there is uncertainty associated with estimates and actuals may differ from the estimate.
- 1.11 The Office did a good job to ensure the estimated \$34.4 million annual regulatory burden reduction was reasonable and supported. Regulatory changes are only included in the target once they are approved, implementation



is complete or underway, and have an impact on businesses. We found that all samples we tested met the criteria for reporting against the target and those not reported were appropriately excluded.

- 1.12 All samples we reviewed had a completed summary report by the Office. Each assessment that had an estimated business impact was supported by detailed calculations. A few minor documentation issues were identified; however, these did not impact the estimates nor the reasonableness of the estimated \$34.4 million annual burden reduction. It is important that the Office continues to ensure estimates are supported by detailed documentation.

➤ The Office reviews assumptions used in the business impact estimates

- 1.13 For all 20 samples we tested, we saw evidence that the Office questioned the assumptions used by departments in preparing the estimated impact of regulatory changes. Departments calculate estimated impacts using such assumptions as the number of businesses affected, the level of employee doing the work, and the time to complete the activity. Proper review of these assumptions helps ensure the resulting estimates are reasonable.
- 1.14 The Business Impact Assessment tool provides guidance to departments to calculate the estimated impact to businesses. However, not all situations can be estimated using the tool. Some situations are too complex and need a more rigorous process to calculate the estimate. The Office works closely with departments to provide its expertise in estimating the impact on businesses. Departments should continue to work with the Office to calculate reasonable estimates for burden reduction.

➤ The most current Business Impact Assessment tool was not always used

- 1.15 The Business Impact Assessment tool is updated annually with new data from Statistics Canada. Examples of Statistics Canada data used in the tool include information about the number of businesses operating in a certain industry and the average wage rate for different levels of employees. The tool uses this data in the estimate of the impact on businesses.
- 1.16 We noted that the most current version of the tool was not used when preparing estimates for 9 of 14 files we tested. For eight of the nine files, there was no impact on the estimate as the outdated Statistics Canada data was not used to calculate the final estimates. The remaining file did not have a version date, therefore, it is unclear if the data was current.
- 1.17 Management noted that changes in the Statistics Canada data are minimal from year to year and calculations would not be substantially impacted. While this may be the case, it is important for the Office to define when data should be updated. By not using the most recent Statistics Canada data, there is a risk that the estimated cost or savings could be inaccurate.



- 1.18 The Office shares guidance documents and the Business Impact Assessment tool with departments. However, we noted some information was outdated. For instance, the guidance directs departments to contact staff who are no longer employed with the Office. Similar to using the most up-to-date assessment tool, it is important that the Office ensures the information shared with departments is current.

Recommendation 1.1

The Office of Regulatory Affairs and Service Effectiveness should ensure that guidance documents and the Business Impact Assessment tool are regularly updated, and the most current versions are used.

Office of Regulatory Affairs and Service Effectiveness Response: The Office agrees with this recommendation. Guidance documents will be updated and distributed to users by November 30, 2019 and will be reviewed annually and updated if required. The Business Impact Assessment Tool will be updated on an annual basis by May of each year to ensure data is up to date. To ensure that current versions are used by departments, user guidance documents and the Business Impact Tool will be distributed to user departments as well as shared on the Office's SharePoint site if updates are made.

➡ Regulatory changes are assessed against the governing charter

- 1.19 For all 20 samples we tested, the regulatory change was assessed against the governing charter as adopted by the four Atlantic provinces. See Appendix III for excerpts from the governing charter. The Business Impact Assessment tool and the Chief Regulatory Officer's summary report both align with the governing charter. This ensures that from the beginning of the process, all regulatory changes impacting businesses follow the guiding principles for better regulation.
- 1.20 By following the Business Impact Assessment process, and providing a summary report to Cabinet, the Office ensures regulatory changes with an impact on businesses are consistently assessed and appropriate information is provided to Cabinet to assist in its decision making.

➡ The Office correctly classified exempt regulatory changes

- 1.21 The Office correctly applied the exclusion criteria for all five regulatory changes it deemed exempt from the \$34.4 million annual burden reduction reporting. The Office assesses regulatory changes against set criteria to determine which should be exempt from the burden reduction program.
- 1.22 Regulatory changes are exempt from the target if they fall into one of the three following categories:



- economic analysis indicates economic benefits produced by the regulatory change will be materially larger than the burden
- initiatives that are substantially beyond the direct control of the provincial government but are required to meet national or international standards or agreements
- initiatives that are required to meet unforeseen or urgent public policy needs such as public health or safety risks

1.23 For example, Nova Scotia increased the basic personal amount, resulting in fewer Nova Scotians paying income taxes and a reduction in income taxes paid. However, there was a one-time impact on businesses as they had to update their payroll systems. The benefit of reducing income taxes paid by Nova Scotians outweighed the one-time cost to businesses.

1.24 The Office publicly reported which initiatives were exempt from the target and the estimated impact. This promotes transparency within the program. See Appendix IV for the listing of exempt regulatory changes.

 Training provided to departments was appropriate

1.25 The Office provides comprehensive training to departments on the Business Impact Assessment process. Departments identify training needs and the Office provides training when requested. As expected, training was more frequent when the Business Impact Assessment process was new and happens less frequently now that departments are more familiar with the process.

1.26 The Office asks participants to complete a feedback survey after training is complete. Training sessions were well attended and the Office received positive feedback. Feedback from surveys helped shape training material for future sessions. We encourage the Office to continue to offer training on the Business Impact Assessment process and the importance of regulatory burden reduction.

Business Navigator Program

 Strategic priorities of the Business Navigator program are established and monitored

1.27 In addition to the burden reduction initiative, the Office created the Business Navigator program in January 2017. The program is designed to help start-ups, as well as existing businesses, navigate through provincial regulations. This is intended to reduce regulatory burden by helping businesses find answers to their questions faster than if they were to research it themselves.



- 1.28 Three Business Navigators are available to answer questions or find the right departmental or external contact to provide the requested information to the business. As a result, the Business Navigators help businesses comply with applicable regulations. Management indicated that the program has assisted Nova Scotia businesses 2,900 times since its launch in 2017 to December 31, 2018.
- 1.29 The Office created an initial plan in 2016 for the program which included strategic priorities; however, they did not formally track the plan to determine if priorities were met. Management indicated that due to the small size of the Office and continuous communication, the strategic priorities were monitored.
- 1.30 Since 2017, yearly plans are created and progress towards strategic priorities is tracked. This ensures work is focused on achieving the strategic priorities.

➡ The Office regularly monitors the Business Navigator program

- 1.31 Management monitors day-to-day operations of the Business Navigator program through weekly reports. Weekly reports contain useful management information such as the number of cases, types of questions clients inquire about, departments contacted to provide an answer to a client, how the client was referred to the service, and feedback from client satisfaction surveys. This information allows management to assess the workload of the Business Navigators, identify any trends in client questions, and monitor overall client satisfaction.
- 1.32 The Office sets performance expectations for the Business Navigators and uses client satisfaction surveys to assess results. For example, the Business Navigators are expected to be responsive, and this is measured through survey results by determining if clients agree that their question was addressed in a reasonable timeframe. Satisfaction surveys are sent to clients once client questions have been answered. Management reviews survey results weekly to ensure that Business Navigators provide a beneficial service and the program helps businesses understand their regulatory environment.

➡ Initial and ongoing training is provided to Business Navigators

- 1.33 The Office provides initial training to Business Navigators, as well as on-going training through meetings with departments and external parties. The need for these meetings is assessed through weekly team gatherings when trends in client questions are discussed. By obtaining information and building relationships with departments and external parties, the Business Navigators learn how to better serve their clients.



Appendix I

Reasonable Assurance Engagement Description and Conclusions

In fall 2019, we completed an independent assurance report of the regulatory and administrative burden reduction initiatives at the Office of Regulatory Affairs and Service Effectiveness. The purpose of this performance audit was to determine how burden reduction is assessed and measured, and if the Business Navigator program is meeting its objectives.

It is our role to independently express a conclusion about whether the regulatory and administrative burden reduction initiatives comply in all significant respects with the applicable criteria. Management of the Office of Regulatory Affairs and Service Effectiveness acknowledged their responsibility for the regulatory and administrative burden reduction initiatives.

This audit was performed to a reasonable level of assurance in accordance with the Canadian Standard for Assurance Engagements (CSAE) 3001—Direct Engagements set out by the Chartered Professional Accountants of Canada; and Sections 18 and 21 of the Auditor General Act.

We apply the Canadian Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the Code of Professional Conduct of Chartered Professional Accountants of Nova Scotia, as well as those outlined in Nova Scotia's Code of Conduct for public servants.

The objectives and criteria used in the audit are below:

Objective:

To determine if the Office of Regulatory Affairs and Service Effectiveness has effective processes in place to assess and measure regulatory burden for businesses in Nova Scotia.

Criteria:

1. The Office of Regulatory Affairs and Service Effectiveness should provide training to departments on the Business Impact Assessment tool.
2. The Office of Regulatory Affairs and Service Effectiveness should review Business Impact Assessments to ensure they are based on reasonable assumptions.
3. The Office of Regulatory Affairs and Service Effectiveness should be accurately measuring and reporting regulatory burden.



Objective:

To determine if the Office of Regulatory Affairs and Service Effectiveness assesses if the Business Navigator program is meeting its objectives.

Criteria:

1. The Office of Regulatory Affairs and Service Effectiveness should regularly set and assess performance measures for the Business Navigator program.
2. The Office of Regulatory Affairs and Service Effectiveness should provide initial and ongoing training for its Business Navigators.

Generally accepted criteria consistent with the objectives of the audit did not exist. Audit criteria were developed specifically for this engagement. Criteria were accepted as appropriate by senior management of the Office of Regulatory Affairs and Service Effectiveness.

Our audit approach consisted of interviewing management and staff of the Office of Regulatory Affairs and Service Effectiveness, reviewing policy, examining processes for regulatory and administrative burden reduction initiatives, and reviewing detailed files. We examined relevant processes, plans, reports, and other supporting documentation. Our audit period covered June 1, 2015 to December 31, 2018. We examined documentation outside of that period as necessary.

We obtained sufficient and appropriate audit evidence on which to base our conclusions on November 8, 2019, in Halifax, Nova Scotia.

Based on the reasonable assurance procedures performed and evidence obtained, we have formed the following conclusions:

- The Office of Regulatory Affairs and Service Effectiveness has effective processes in place to assess and measure regulatory burden reduction for businesses in Nova Scotia.
- The Office of Regulatory Affairs and Service Effectiveness uses client survey feedback and weekly reporting to assess if the Business Navigator program is meeting its objectives.



Appendix II

List of Regulatory Changes Included in the Annual Burden Reduction Estimate

We audited the Office’s process to ensure the estimates used were reasonable; we did not audit the accuracy of the numbers reported. The cost and saving estimates are based on conservative assumptions, including information from employers, Statistics Canada data, and reflect information available to date. It is important to note that the Office may revise cost and saving estimates based on new or refined data. For example, more accurate information may be provided to the Office after a measure is implemented. In such cases, estimates may be revised.

Department	Approved and/or Implemented Regulatory Measure	Estimated Savings (Cost) to Business
Service Nova Scotia ¹	Amendments to Residential Tenancies Act	\$826,000
	Changes to Special Move Permit Application form for carriers for milk and waste haulers during spring weight restrictions	\$60,000
	Remove requirement for the filing of duplicate subdivision and condo plans	\$370,000
	Modernization of Registry of Joint Stocks Companies	\$7,170,000
	Amendments to the Consumer Protection Act	\$(77,000)
	Liquor licensing criminal record checks	\$28,000
	Electronic Vehicle Registration for dealers	\$839,000
	Telephone hearing alternative for Residential Tenancies	\$130,000
	Strike off companies suspended due to lack of payment	\$1,800,000
	Compliance Officer authority to take affidavits to assist liquor licensees	\$5,000
	Petroleum Price Regulations	\$47,000
	Eliminate requirements for a permanent place of business for lenders	\$957,000
	Residential Tenancies Act amendments	\$1,250,000
	Reduction of incorporation fee under Companies Act	\$402,900
	Amendments of Corporation Registration Act	\$355,000
	Affirmation to be accepted for Residential Tenancies Hearings	\$80,000
	Bring Form 45 online	\$114,000
	Mortgage Act Regulations	\$(1,677,000)



Department	Approved and/or Implemented Regulatory Measure	Estimated Savings (Cost) to Business
Transportation and Infrastructure Renewal	Innovation HUB for forest transportation in NS – phase 1	\$2,300,000
	Innovation HUB for transportation in NS – phase 2	\$7,000,000
Environment	Clarifying the definition of public drinking water supplier	\$10,000
	Removing duplicative requirements for lead-acid battery waste and asbestos waste storage	\$16,000
	Mercury Diversion Program extension	\$1,300,000
	System improvements for notification and approval processing	\$1,000,000
	On-site Services Advisor Board Regulations repeal	\$1,000
Finance and Treasury Board	Retail sales mark up	\$805,000
	Fuel Tax Credit	\$1,600,000
Labour and Advanced Education	Removing tuition and fees for technical training for apprentices	\$386,000
	Presumptive coverage for post-traumatic stress disorder (PTSD) for emergency workers	\$(300,000)
	Updating Labour Standards Code awareness materials relating to issuing final pay cheques	\$636,000
	Amendment stipulating Canada Day will be recognized on July 1 for business closure	\$16,000
	Co-op and GTO: improvements to approval and claims processes	\$5,000
	Apprenticeship Management System	\$1,080,000
	Changes to frequency and cost of Oil Burner Technician licensing fee	\$(8,800)
	Domestic violence leave	\$(1,164,000)
	Labour Standards Code General Regulations reducing pregnancy and parental leave eligibility period	\$(285,000)
	Private Career Colleges – LaMPSS Administration Platform	\$23,000
	Labour Board forms modernization	\$31,000
	Communications Technician Trade Regulations	\$14,000
	WIPSI: program improvements to approval and claims process	\$9,000
	Employer Registration Certificate application	\$8,000



Department	Approved and/or Implemented Regulatory Measure	Estimated Savings (Cost) to Business
Workers' Compensation Board	Secure messaging with employers	\$1,620,000
	Elimination of special protection accounts for family members	\$80,000
	New process for annual sub-contractor reporting	\$252,000
	Electronic filing of injury reports	\$940,000
Agriculture	Initiatives under the Natural Products Marketing Council	\$53,000
	Poultry Insurance Plan amendments	\$(1,000)
	Farm Loan Board Regulations amendments	\$132,000
Fisheries and Aquaculture	Mandatory quality training for fish buyers	\$(18,000)
	Promotional awareness and coordination of delivery throughout Nova Scotia by the Nova Scotia Fisheries Sector Council (to offset costs of mandatory quality training for fish buyers)	\$18,000
	Amendments to Fisheries and Coastal Resources Act with respect to aquaculture	\$1,500
	Fisheries and Aquaculture Loan Regulations amendments	\$118,000
Justice	Builders Lien Act	\$440,000
	Fees for firearms training	\$(1,000)
Regulatory Affairs and Service Effectiveness	Business Navigator Service	\$3,400,000
Energy ²	Marine Renewable Energy Act	\$(215,000)
	Mineral Resource Regulations	\$175,000
Internal Services ¹	Ariba e-bidding	\$233,000
Total Burden Reduction Savings (net)		\$34,389,600

Source: Office of Regulatory Affairs and Service Effectiveness Final Progress Report as of December 31, 2018 (unaudited)

¹ Since renamed Service Nova Scotia and Internal Services

² Since renamed Energy and Mines



Appendix III

Excerpts from the Premiers' Charter of Governing Principles for Regulation

A. Statement of Fundamental Intent on Regulation

1. The Government will regulate to achieve its policy objectives only
 - a) having demonstrated that satisfactory outcomes cannot be achieved by alternative self-regulatory or non-regulatory approaches;
 - b) where analysis of the costs and benefits demonstrates that the regulatory approach is superior by a clear margin to alternative, self-regulatory or non-regulatory approaches;
 - c) where the regulation and the enforcement framework can be implemented in a fashion which is demonstrably proportionate, accountable, consistent, accessible, targeted and predictable; and
 - d) where the regulation and associated process is consistent with the Guidelines set out in section B below.

2. There is a general presumption that regulation should not impose costs and obligations on business, social enterprises, individuals and community groups unless a robust and compelling case has been made to do so.

B. Guidelines for Developing and Assessing Regulation

1. The policy need should be clearly articulated at the outset
2. Regulation should be the only effective and necessary way to meet the policy need
3. Regulation should be a tempered response
4. Regulation should be accountable
5. Regulation should be accessible and easy to comply with
6. Regulation should consider economic impact
7. Good regulatory governance
 - a. the responsibility of regulating, and of demonstrating that regulation is justified under this Charter, is that of the department, agency or office whose mandate includes the policy need the regulation seeks to address
 - b. the Office is an independent advisory office of government, which oversees and advises on the application of the Charter and the adoption of regulatory best practices in Nova Scotia



Appendix IV

List of Regulatory Changes Exempt from the Annual Burden Reduction Estimate

Regulatory changes are exempt from the target if they fall into one of the three following categories:

- economic analysis indicates economic benefits produced by the regulatory change will be materially larger than the burden
- initiatives that are substantially beyond the direct control of the provincial government but are required to meet national or international standards or agreements
- initiatives that are required to meet unforeseen or urgent public policy needs such as public health or safety risks

We audited the Office's process to ensure the estimates used were reasonable; we did not audit the accuracy of the numbers reported. The cost and saving estimates are based on conservative assumptions, including information from employers, Statistics Canada data and reflect information available to date. It is important to note that the Office may revise cost and saving estimates based on new or refined data. For example, more accurate information may be provided to the Office after a measure is implemented. In such cases, estimates may be revised.

Department	Exempt Regulatory Measure	Estimated Savings (Cost) to Business Exempt from the Burden Reduction Program
Environment	Safe Body Art Act and Regulations	\$(400,000)
	Cap and Trade and Supporting Regulations	\$(525,000)
Finance and Treasury Board	Basic Personal Amount Supplement	\$(400,000)
Labour and Advanced Education	Adoption of CSA Fuel Safety Codes	\$(63,000)
	Amendments to Labour Standards Code to align with Federal EI	\$(533,000)

Source: Office of Regulatory Affairs and Service Effectiveness Final Progress Report as of December 31, 2018 (unaudited)