



# Office of the Auditor General

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## Auditor General's Statement to the Media

Release of Performance Audit Report to the Nova Scotia House of Assembly  
June 23, 2020



Thank you for your interest in understanding more about my latest report tabled with the Nova Scotia Legislature.

This report is phase 1 of 2 audits of the Nova Scotia Liquor Corporation. This audit looks at the Nova Scotia Liquor Corporation's promotion of responsible drinking, support of the local industry, capital planning and procurement, and agency store contract management. The second phase is currently underway and will look at product management and governance and will be reported at a later date.

This audit of the Nova Scotia Liquor Corporation was important for many reasons, including the significance of the Corporation to the provincial economy, the growing number of local alcohol manufacturers in the province, and the important role the Corporation plays in keeping alcohol out of the hands of minors and promoting responsible consumption.

On average, the Nova Scotia Liquor Corporation has over \$600 million in annual sales resulting in earnings of over \$200 million, most of which goes to the government to support other programs and initiatives.

I'd now like to talk about the key messages from this report:

Firstly, the Nova Scotia Liquor Corporation does not have an adequate strategic plan for its role in supporting the local alcohol industry. Part of the Nova Scotia Liquor Corporation's mandate is to promote the industrial and economic objectives of the beverage alcohol industry in the province. The number of local alcohol manufacturers has more than doubled over the last five years, and sales of these manufacturer's products through the Nova Scotia Liquor Corporation has almost tripled to over \$45 million.

We concluded that the Nova Scotia Liquor Corporation lacks overall planning and evaluation methods to support the local industry. Although it is a key area of the Nova Scotia Liquor Corporation's 2015-20 strategic plan, goals and objectives for how the Corporation will support the local beverage alcohol industry are not specific or measurable, and there is poor accountability for the established strategies. For example, tasks created to support the industry were marked as complete by the Nova Scotia Liquor Corporation even though they were not finished.

The Nova Scotia Liquor Corporation in some cases did not document markup structures for locally manufactured alcohol. It also did not have a detailed risk analysis for complying with trade agreements and did not evaluate the impact of the markup structures.

Secondly, the Nova Scotia Liquor Corporation does not adequately monitor or report against established performance measures for programs that promote responsible drinking. The Nova Scotia Liquor Corporation's training to support responsible retailing practices, such as age verification, is not completed in a timely manner in the Corporation's corporate stores. We found two-thirds of the Nova Scotia Liquor Corporation's employees we tested had not completed the training required within the 30-day timeframe. In fact, new hires of the Nova Scotia Liquor Corporation took an average of 119 days to complete the training. Also, the Nova Scotia Liquor Corporation does not monitor training for new hires at agency stores, and we saw little evidence of training occurring at these stores.

The Nova Scotia Liquor Corporation does not adequately manage its program to monitor that anyone aged 30 or under is asked for valid identification. Results from this program which uses participants aged 19 to 23, identified that breweries had the lowest performance, failing to request identification in over 60% of their visits. The Nova Scotia Liquor Corporation's corporate stores failed 12% of their visits, while agency stores failed 19% of their visits, and private wine and beer stores failed 37% of their visits.

The Nova Scotia Liquor Corporation did not share the results of the monitoring program with breweries or private wine and beer stores and did nothing with the information internally. The vast majority of local alcohol manufacturers operating retail stores are not monitored through the Nova Scotia Liquor Corporation's monitoring program, as only four breweries are included in the program. Although agency stores were told of their results, the Nova Scotia Liquor Corporation does not have a follow-up process to make sure issues are addressed.

Thirdly, the Nova Scotia Liquor Corporation has a plan for improvement of the retail store network and follows its procurement process with only minor issues identified. The Nova Scotia Liquor Corporation did a good job of capital procurement and has completed a full review of the condition of its corporate retail stores, including developing a store improvement plan and new branding strategy.

The Nova Scotia Liquor Corporation had a plan to change some corporate stores to agency stores which, while supported by the Corporation's Board of Directors, has not been implemented due to uncertainty around the Corporation's authority to carry out the changes. We will look closer at these issues in our audit of governance practices in the second phase of our audit.

Finally, the Nova Scotia Liquor Corporation has signed agreements with clearly-defined terms and conditions for the agency store program. The internal audit process to assess compliance with most aspects of the agency store agreements functions as intended, with the exception of the training and age verification issues I discussed earlier.

We made eleven recommendations to the Nova Scotia Liquor Corporation and they have agreed to implement all of them. I believe these recommendations will improve how the Corporation plans for and supports the local alcohol manufacturing industry, and how it monitors programs that promote responsible drinking. It is now up to the leaders at the Nova Scotia Liquor Corporation to ensure these improvements are put in place.

In concluding, I want to thank the people in my Office for their continued hard work and dedication. You all should be proud of the hard work you do on behalf of all Nova Scotians. To the Nova Scotia Liquor Corporation, I want to thank you for your professionalism and cooperation in completing this audit.