



Nova Scotia Liquor Corporation – Phase I

Overall Conclusions

- NSLC does not have an adequate strategic plan for supporting the local beverage alcohol industry.
- Certain measures to support the local beverage alcohol industry were not properly planned, including identification and assessment of risks.
- NSLC is not adequately monitoring responsible retailing programs or reporting against established performance measures for programs promoting responsible drinking.
- NSLC has a plan for improving the retail store network and follows a defined procurement process; only minor issues identified.
- NSLC has signed agreements with clear terms and conditions for the agency store program.

Why We Did This Audit

- NSLC is significant to the provincial economy.
- In 2018-19, NSLC had \$662 million in sales and \$237 million in earnings.
- The local alcohol manufacturing industry in the province has grown rapidly, which has a significant impact on NSLC as the main retailer of alcohol in the province and the issuer of manufacturing permits.
- The responsible sale of alcohol is important to Nova Scotians to ensure it does not end up in the hands of minors or other high-risk consumers.
- We have not completed a stand-alone audit of NSLC since 2000.

Local Industry

- NSLC does not have a long-term plan with specific and measurable goals and objectives detailing how they aim to support the local beverage alcohol industry
- Poor accountability for the strategies in place, as actions taken are not well planned or monitored for completion
- NSLC supports the local beverage alcohol industry through various methods. However, there are several issues identified with the approaches used, including:
 - markup structures for locally manufactured alcohol are not adequately planned, evaluated, or documented, including completing a detailed risk analysis for compliance with trade agreements
 - processes are not defined, such as how to have product listed as Proudly Nova Scotian or the number of stores a manufacturer must be able to supply to be carried through NSLC
 - implementation and impact of an agreement between NSLC and Alcool New Brunswick Liquor (ANBL) on beer trade is unclear
 - NSLC does not assess reasonableness of self-reported payments required from local manufacturers
 - NSLC communicates with local manufacturers through several channels, however it is often not documented, and there is no consultation policy

Responsible Drinking

- Responsible Retailing training is not completed in a timely manner in corporate stores, or as required by agency stores
- NSLC did not adequately address issues identified through the We ID compliance program which requires staff to request valid identification to verify the age of those appearing under the age of 30
- Most local alcohol manufacturers' operating retail stores are excluded from monitoring compliance with age verification requirements, and the four breweries included in the program have the lowest compliance scores
- NSLC has established a framework for corporate social responsibility, however performance measures are not monitored for the programs that promote responsible drinking



Capital Planning and Procurement

- NSLC has completed a full review of the condition of its corporate retail stores and has a store improvement plan
- NSLC's plans to change corporate stores to agency stores have not been implemented due to uncertainty around the authority to do so
- Our testing showed that NSLC generally followed its defined procurement process; only minor deficiencies were identified

Agency Store Network

- Agency store agreements have clear terms and conditions and are signed by all required parties
- Internal audits of agency stores cover most areas of operations and audit results are reported to senior management and the board of directors
- The internal audit mandate for agency stores does not include monitoring or enforcing the Responsible Retailing training or the We ID program