



Alberta Treasury Board and Finance CEO Selection, Evaluation and Compensation, and Executive Compensation



Audit Report Executive Summary

October 2017

Who

Alberta Treasury Board and Finance

What

Follow-up performance audit

Learn More

finance.alberta.ca

Why we did this audit

The Alberta government delivers vital programs and services to Albertans through provincial agencies. These entities are managed by senior executives who provide guidance and make decisions on the delivery of these programs and services.

In 2008, we audited the systems that agencies use to select, evaluate and compensate chief executive officers. Further, an audit we reported in 2009 looked at agencies' compensation not only of chief executive officers but of other senior executives as well.

In those audits we found that:

- government needed to provide guidance to agencies on policies and practices for CEO selection, evaluation and compensation, and executive compensation
- government did not obtain and evaluate information on CEO selection, evaluation and compensation systems to support ministers in holding boards accountable for their decisions
- agencies' compensation disclosures were incomplete or inconsistent

We made our 2008 and 2009 recommendations in an environment where agency boards were responsible for executive compensation decisions. In that environment, we believed the government needed to establish reasonable and consistent approaches for boards to follow when making executive compensation decisions, and check that those approaches were being followed.

We also recommended that government consider whether agencies should prepare compensation discussion and analysis so that those boards with responsibility for executive compensation decisions could explain their decisions publicly.

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(continued)



What we concluded

In light of the new legislation, regulation and centralized approach, our 2008 and 2009 recommendations are no longer applicable. We made them in an environment where agency boards had primary responsibility for executive compensation decisions, but the new approach shifts significant responsibility to the government. We are therefore withdrawing the recommendations.

In withdrawing our recommendations, we are not concluding on the adequacy of the government's current systems on executive compensation. To form a conclusion on the current systems, we would need to perform a new audit. When planning future audits, we will consider whether such an audit could provide value.

What has changed

In 2016, the Reform of Agencies, Boards and Commissions Compensation Act was proclaimed. This new legislation enables the government to develop regulations for setting compensation frameworks, including salary ranges and benefits for agency executives and board members. The first compensation regulation under this act became effective on March 16, 2017 and includes a centralized approach to determining compensation with:

- constraints on base salaries of CEOs
- elimination of variable pay for executives
- caps on termination benefits
- other constraints on benefits

What needs to be done

We have no further recommendations on this matter for the Department of Treasury Board and Finance.

Read the full report at:

oag.ab.ca

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