



# Governance Review of the Real Estate Council of Alberta

## **ADVICE TO MINISTER**

**Governance Review in Accordance with  
Ministerial Order SA: 001/2019**

June 28, 2019

**CONFIDENTIAL**

*Not intended for distribution*

Personal Information removed as required by Freedom of  
Information and Protection of Privacy Act

# Contents

1	Executive Summary	1
2	Introduction	9
3	About RECA	11
4	Observations and Recommendations	15
5	Findings by Area of Review	26
Appendix 1	Ministerial Order and Terms of Reference	47
Appendix 2	Interviewees	51
Appendix 3	Citations	52

## Notice

This report has been prepared by KPMG LLP ("KPMG") for the Minister of Service Alberta ("Minister") pursuant to the terms of our engagement agreement with the Minister dated January 21, 2019 (the "Engagement Agreement"). This report was prepared in response to the Minister's request for a review of the Real Estate Council of Alberta ("RECA") under Section 76 of the *Real Estate Act* and the findings presented in the report address specific evaluation criteria agreed to by the Ministry of Service Alberta.

KPMG neither warrants nor represents that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than the Minister or for any purpose other than set out in Section 76 of the *Real Estate Act*. This report may not be relied upon by any person or entity other than the Minister, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than the Minister in connection with their use of this report.

The procedures we carried out in performing the work that forms the basis of this report were not such as to constitute an audit. As such, the content of this report should not be considered as providing the same level of assurance as an audit. Our procedures consisted solely of inquiry, observation, comparison and analysis of information provided by the Ministry, RECA and other stakeholders. We relied on the completeness and accuracy of the information provided. Such work does not constitute an audit. Accordingly, we express no opinion on financial results, internal controls or other information.

# 1 Executive Summary

## 1.1 Introduction

The Real Estate Council of Alberta (RECA) regulates real estate agents and brokers, mortgage brokers, real estate appraisers and property managers in Alberta. In its statement on self-regulation, RECA states its mandate is "...to protect consumers and to provide services that enhance and improve the industry and the business of industry professionals." [1, p. 3] RECA is established as a corporation under the *Real Estate Act* (the *Act*) and is not considered an agent of the Crown [2, p. 10].

The Minister of Service Alberta (the Minister) received complaints about RECA's ability to govern itself effectively. As a result, the Ministry of Service Alberta (Service Alberta) commissioned a preliminary assessment of the complaints related to the conduct and integrity of Council. This preliminary assessment was completed by George B Cuff & Associates Ltd. in October 2018 and led to the Minister's determination to conduct a review of RECA under Section 76 of the *Act* (the Review).

In January 2019, Service Alberta engaged KPMG<sup>1</sup> to conduct the Review in accordance with Ministerial Order SA/001/2019 and its Terms of Reference; these are included in Appendix 1. KPMG worked with Service Alberta to develop evaluation criteria based on the Terms of Reference. The criteria are included with the findings in Section 5.

KPMG's role was to conduct interviews and review documentation in order to assess, at a high level, Council's performance against the criteria. KPMG considered findings in light of common and leading governance practices for non-profit and regulatory entities of a similar scale, and has provided advice in this report to the Minister on recommended actions to address Council's ability to govern effectively.

## 1.2 Major Findings and Recommendations

The Review found that Council is not governing RECA effectively, and that personality conflicts within Council, and between Council and Administration are unlikely to be resolved without changing the individuals involved. Council has spent considerable resources attempting to improve its governance with minimal effect.

Based on the evidence outlined below, it would appear that the most effective and timely way to resolve Council's governance challenges would be to dismiss all Council members. There are too many issues with the current composition and operations of Council to enable an effective governance body. Dismissing only a subset of Council could contribute to a further deterioration in trust amongst Council, Administration and industry.

However, KPMG understands that this action would not be consistent with Section 76(5) of the *Act*, which allows the Minister to issue orders to Council as a result of this Review, and Section 76(6), which allows the Minister to dismiss Council members if they do not satisfactorily comply with the orders issued.

**There is significant interpersonal conflict amongst Council and Administration.**

All Council members and senior staff interviewed during the review described the current state of Council as being challenged. There is a lack of trust among Council Members and between Council and

---

<sup>1</sup> Tim Swanson, an employee of KPMG, was appointed as Reviewer under Section 76 of the *Act*.



Administration, as evidenced by several complaints and allegations amongst and between Council members and Administration, and requests to the Minister to intervene in Council affairs from Council members and Administration.

**Council is not focused on strategic issues.**

Council members claim that Council spends a disproportionate amount of time discussing governance matters, including internal conflicts such as the lawsuit against one Council member [3]. Approximately 80% of the motions brought to Council over the last three years pertain to administrative or governance issues, in comparison to 20% of decisions pertaining to strategic or regulatory matters. Many Council members expressed concern that Council is not adequately considering longer-term and emerging industry issues that may affect the regulatory environment or the public interest.

**Council does not have constructive relationships with industry associations.**

RECA is a self-regulatory body, but does not have constructive relationships with its industry associations, including those responsible for appointing some of its Council members. Many industry associations, including the Alberta Mortgage Brokers Association (AMBA) and the Alberta Real Estate Association (AREA), expressed concerns about a lack of transparency and meaningful consultation. Complaints and issues raised by AREA in particular have required RECA's time and attention, including time responding to AREA allegations made to the Minister.

**Council is not exercising adequate oversight of RECA.**

At the time of this report, six months into its 2018/19 fiscal year, Council was operating without functioning standing committees, including its Finance and Audit Committee, and advisory committees. Council had not appointed a Chair Elect officer. The Chair did not exercise their authority to call a meeting to address these matters, but instead has tried unsuccessfully to conduct a series of email votes.

Council also lacks effective processes to evaluate the Executive Director, manage risk, and monitor expenditures. Performance evaluations on the Executive Director were completed in 2016 and 2017, but they did not follow a consistent format and process. No performance evaluation was completed in 2018.

The Review also noted potential deficiencies in how Council grants spending authority to Administration and monitors expenditures. For example, there was no record in Council minutes of a motion approving 2018 external legal fees in excess of the \$100,000 limit in RECA's authority matrix for unbudgeted expenditures.

**Minimal public representation on Council, and one industry association's ability to control the majority of Council member appointments contribute to these challenges.**

There are only two public members (one of whom is appointed by industry) on Council. This results in minimal representation of the public interest and limits the pool of individuals from which to draw to create a skills-based board. Within Canada, there is a trend towards increased representation on regulatory bodies [4] [5]. Regulators commonly require 25 to 50% of their governing body to be comprised of public members [6] [7] [8] [9].

Further, control over the appointment of Council members predominantly lies with one industry association, AREA. Finally, in October 2018, Council was challenged to appoint Council members due to differing interpretations of Section 6 of the Act.

## **Major Recommendations**

As a result of these major findings, KPMG recommends the following:

- The Minister should consider dismissing the current Council and appointing an Administrator as outlined in Section 76(6 a) and (b) of the *Act*.

Notwithstanding that this recommendation would likely result in a timely and definitive resolution to many of RECA's governance challenges, Section 76 of the *Act* appears to limit the Minister's ability to dismiss Council without issuing an order to Council and having Council not comply with the order. If the Minister does not make legislative changes to allow immediate dismissal of Council, the Minister should consider the following recommendations:

- The Minister should consider ordering Council and Administration to undertake a formal dispute resolution process with an external mediator to resolve the primary disputes among Council members, and between Council and Administration.
  - The Minister should consider ordering Council to implement the recommendations in this Review in a timely manner, and provide monthly status updates on Council's progress towards implementing them.
  - The Minister should consider appointing a Monitor that would attend Council meetings and be included on their correspondence and reports.
- Prior to reappointing a Council, the Minister should consider evaluating and enacting legislative changes to the *Act* to address the composition of Council (see Section 4.2 Composition and Appointment). Specifically, the Minister should consider amending Section 6 of the *Act* to increase public representation on Council, and to prevent any one body from having undue influence over the appointments of Council members. As part of this, the Minister should work with Council to identify required skills to be an effective governing body and to use its public appointments to address these desired skill requirements.

These recommendations have precedence in Service Alberta. In 2017, similar changes to the Alberta Motor Vehicle Industry Council (AMVIC) occurred [3] [4]. Following governance and operational reviews, AMVIC was found to have a number of challenges, and was perceived to be dominated by industry. The Minister changed the Council composition and appointment process to increase public participation and improve government oversight.

## **1.3 Additional Findings and Recommendations**

In addition to the major findings in the previous section, the Review identified a number of other findings and makes additional recommendations to improve RECA's ability to govern effectively.

These findings and recommendations are outlined on the following pages.

Findings	Recommendations
<p><b>Composition and appointment</b></p> <p>In addition to the major points pertaining to Council's composition and appointment, the Review noted that the terms for executive positions on Council do not correspond with the terms of Council members.</p> <p>This has resulted in some executives ending their term on Council before completing the intended succession through the executive positions.</p> <p>See section 4.2.2 Executive Positions for further details.</p>	<p>The Minister should consider requiring that Council amend its bylaws to align executive terms with the terms of Council members, and allow for a direct vote for the Chair when there is no Chair Elect.</p>
<p><b>Roles and responsibilities</b></p> <p>Council appears to be focused on internal governance challenges and less focused on the mandate of RECA. Approximately 80% of the motions brought to Council over the last three years pertain to administrative or governance issues, by comparison to only 20% of decisions pertaining to strategic or regulatory matters.</p> <p>Council members expressed a need for Council to spend more time on the potential regulatory implications of emerging issues in the industry.</p> <p>See section 4.3.1 Role of Council for further details.</p>	<p>The Minister should consider monitoring how Council allocates its efforts to ensure it focuses sufficient attention on the strategic and regulatory mandate of RECA.</p>
<p><b>Bylaw amendments</b></p> <p>Council is not accountable to any external constituents to make bylaw changes. Many Alberta agencies that do not have external constituents, except for government, are required to seek Ministerial approval for changes to their mandate, roles and policies.</p>	<p>The Minister should consider amending the Act to require bylaw changes be approved by external constituents in order to provide accountability over the rules by which Council operates. Until the Act is amended, the Minister should consider ordering Council to submit all changes to its bylaws for the Minister's review and approval.</p>

Findings	Recommendations
<p>which service in place of bylaws [10, pp. 6,7,10].</p> <p>Council has made several bylaw changes over the past three years, some without a review and recommendation by RECA's Governance Committee.</p> <p>See section 4.2.3 Bylaw Changes for further details.</p>	<p>The Minister should consider requiring the Chair to enforce good governance practices during Council meetings and to not accept motions to amend bylaws in Council meetings unless the proposed amendments have been reviewed by Council's Governance Committee.</p>
<p><b>Performance management and succession planning</b></p> <p>Council does not follow a consistent, annual performance evaluation process for its Executive Director.</p> <p>Council has a defined succession plan to replace its retiring Executive Director, however the plan recommends that the Selection Committee only present one candidate to Council for approval.</p> <p>See section 4.3.3 Performance Management and Succession Planning for further details.</p>	<p>The Minister should consider requiring Council to establish and follow a defined, annual performance management process for the Executive Director.</p> <p>The Minister should consider requiring the Succession Planning Committee bring forward two possible candidates for Council to consider in order build trust in the process of hiring a replacement Executive Director.</p>
<p><b>Risk management</b></p> <p>Council does not have a risk management process in place.</p> <p>See section 4.3.4 Risk Management for further details.</p>	<p>The Minister should consider requiring Council to implement a risk management framework, as planned by Council. Given the importance of monitoring and managing risk to the governance role of Council, the Minister should consider requiring Council to implement the risk management framework within the current fiscal year.</p>
<p><b>Authority of the Chair</b></p> <p>There is debate within Council about the role and responsibilities of the Chair position despite the Chair's position description being revised in 2018. For example, some Council members expressed concern that the agenda-setting process lacks transparency</p>	<p>The Minister should consider requiring Council to call meetings in a timely manner to address matters that affect its ability to operate effectively.</p>

Findings	Recommendations
<p>and that items submitted are not included on agendas.</p> <p>Conversely, the Chair has not exercised their authority to call meetings when required. Notwithstanding largely unsuccessful attempts to conduct votes by email, the Chair has not convened a meeting to elect a Chair Elect and committee chairs.</p> <p>See section 4.4 Power and Authorities for further details.</p>	
<p><b>Relationships with industry associations</b></p> <p>RECA's relationships with industry associations, such as AREA and AMBA, are not constructive. Industry associations cited a lack of meaningful engagement and transparency in the development of industry rules.</p> <p>AREA has specific concerns, for example about education standards and RECA's delegation of authorities.</p> <p>See section 4.5 Relationships for further details.</p>	<p>The Minister should consider requiring RECA to pursue a formal dispute resolution process with AREA using an external mediator to resolve the primary disputes between their organizations, and to agree on protocols to interact more constructively.</p> <p>The Minister should consider requiring that RECA solicit feedback and input from its industry stakeholders on the adequacy of its stakeholder engagement activities, and strive to ensure that all engagement is meaningful in the eyes of the stakeholders, and that decisions are more transparent. An independent third-party could be contracted to obtain the feedback and input to encourage openness and to avoid a perception of bias in consolidating and communicating the results.</p>
<p><b>Council interactions</b></p> <p>Over the past two years, Council has contracted external governance consultants to review its governance practices and to conduct governance training. Additionally, RECA has supported Council members in their pursuit of governance training. However, governance training, bylaws and policies do not appear to have been successful in mitigating a high degree of discord within Council.</p>	<p>The Minister should consider amending the <i>Act</i> and requiring Council to make supporting bylaw changes to implement a dispute resolution process for Council members.</p>



Findings	Recommendations
<p>Council does not have a dispute resolution process or mechanisms to address non-compliant Council members.</p> <p>See section 4.2.3 Bylaw Changes for further details.</p>	
<p><b>Council committees</b></p> <p>While Council has a defined committee structure, its committees have not met this year and their terms of reference need to be reviewed. This is attributable to challenges with Council being able to meet and agree on a process to elect committee chairs and assign committee members.</p> <p>See section 4.6 Council Operations and Functioning for further details</p>	<p>The Minister should consider requiring Council to establish its committees as soon as possible for the current fiscal year.</p> <p>The Minister should consider requiring Council to review the terms of reference for all its committees so that they continue to reflect Council's intent for them.</p>
<p><b>Council evaluation</b></p> <p>Council does not evaluate its performance or the performance of individual Council members, although they recognize these as important future steps.</p> <p>See section 4.7 Council Evaluation and Competence for further details.</p>	<p>The Minister should consider requiring Council to implement a formal performance evaluation process and use evaluations of its individual members as a criterion in determining eligibility for reappointment.</p>
<p><b>Accountability and oversight</b></p> <p>Council monitor's RECA's progress against its strategic goals, and reports on its operations.</p> <p>It does not use a performance management framework to monitor and communicate its overall effectiveness at achieving its intended outcomes.</p> <p>See section 4.8 Accountability and Oversight for further details.</p>	<p>The Minister should consider requiring Council to include an evaluation of its performance as part of its annual reporting to the Minister. Council's performance evaluation should include an assessment of the working relationships within Council, between Council and Administration, and with key industry stakeholders.</p> <p>The Minister should consider requiring Council to implement a performance management framework and use it to evaluate and communicate RECA's effectiveness in fulfilling its mandate.</p>

Findings	Recommendations
<p><b>Monitoring of expenses</b></p> <p>There are inconsistencies in the level of detail and presentation of the approved budget and actual results, and the process to approve unbudgeted amounts may be unclear.</p> <p>See section 4.9 Other Governance Areas for further details.</p>	<p>The Minister should consider requiring Council to approve RECA's budget at a level of detail that reflects the level of spending authority being granted. The approved budget should be clearly stated as such.</p> <p>The Minister should consider requiring that RECA's quarterly reporting of actual results be provided to Council in the same level of detail and using the same line items as the approved budget.</p> <p>The Minister should consider requiring RECA to provide Council a reconciliation between the year-end financial statements and the quarterly reporting, if these are prepared at different levels or using different line items.</p>

The findings summarized in this Executive Summary are discussed in more detail in the body of the report.

## 2 Introduction

### 2.1 Background

The Minister received complaints about RECA's ability to govern itself effectively. As a result, Service Alberta commissioned a preliminary assessment of the complaints related to the conduct and integrity of Council. This preliminary assessment was completed by George B Cuff & Associates Ltd. in October 2018 and led to the Minister's determination to conduct a review of RECA under Section 76 of the *Act*.

In January 2019, Service Alberta engaged KPMG to conduct the Review in accordance with Ministerial Order SA: 001/2019 and its Terms of Reference; these are included in Appendix 1. To facilitate data collection activities, the Minister appointed Tim Swanson, an employee of KPMG, as the reviewer under Section 76(1) of the *Act*. KPMG is solely responsible for the findings and recommendations of the Review.

KPMG worked with Service Alberta to develop evaluation criteria based on the Terms of Reference. The criteria are included with the findings in Section 5. KPMG's role was to conduct interviews and review documentation in order to assess, at a high level, Council's performance against the criteria. KPMG considered findings in light of common and leading governance practices for non-profit and regulatory entities of a similar scale, and has provided advice in this report to the Minister on recommended actions to address Council's ability to govern effectively.

### 2.2 Scope

The scope of the Governance Review, as stated in the Ministerial Order, "*...shall include a full review and evaluation of the governance of the Real Estate Council of Alberta (RECA) and ensure RECA's adherence to good governance practices, as well as its effectiveness as the regulator for the real estate sector.*" This scope is defined further in the Terms of Reference (Appendix 1) and covers the following areas:

- Overall governance;
- Composition and appointment;
- Roles and responsibilities;
- Power and authorities;
- Relationships;
- Council operations and functioning;
- Council evaluation and competence; and,
- Accountability and oversight.

In conducting the review, KPMG did not assess the validity of any legal case, allegation or complaint that is ongoing or being investigated. The Governance Review did not investigate any potential wrong-doing on the part of the individual Council members or staff.

Such an investigation would be beyond the scope of the Terms of Reference and would not be constructive in determining RECA's adherence to good governance practices.

## **2.3 Conduct of the Governance Review**

The Governance Review was completed between January and March 2019, and included the following data collection activities:

- Interviews with each of the 12 Council members and two past members whose term ended in October 2018;
- Interviews with the Executive Director, four senior managers and two senior managers that retired within the past year;
- Representatives from five industry associations whose members are licensed under RECA;
- Representatives from five comparator organizations; and,
- Review of documentation provided by Service Alberta, RECA, Council, stakeholder organizations and comparator organizations, as well as information compiled by George B Cuff & Associates Ltd. in the conduct of its preliminary review.

Citations for documents referenced are included at the end of the report and a list of interviewees is included in Appendices 2.

## 3 About RECA

### 3.1 Overview

RECA is established as a corporation under the *Act* and is not considered an agent of the Crown [2, p. 10]. RECA regulates real estate agents and brokers, mortgage brokers, real estate appraisers and property managers in Alberta.

In its statement on self-regulation, RECA states its mandate is "...to protect consumers and to provide services that enhance and improve the industry and the business of industry professionals." [1, p. 3]

Table 1 below shows the number of individuals licensed by RECA in 2018. RECA's expenses in 2018 were \$13.4 million, primarily funded by license fees (\$8.6 million) and education courses (\$4.6 million) [11, p. 23].

Table 1: Number of Individuals Licensed by RECA

Individuals Licensed by RECA [11, p. 17]	
Real Estate Brokers and Associates	12,639
Mortgage Brokers and Associates	2,319
Appraisers and Candidates	634

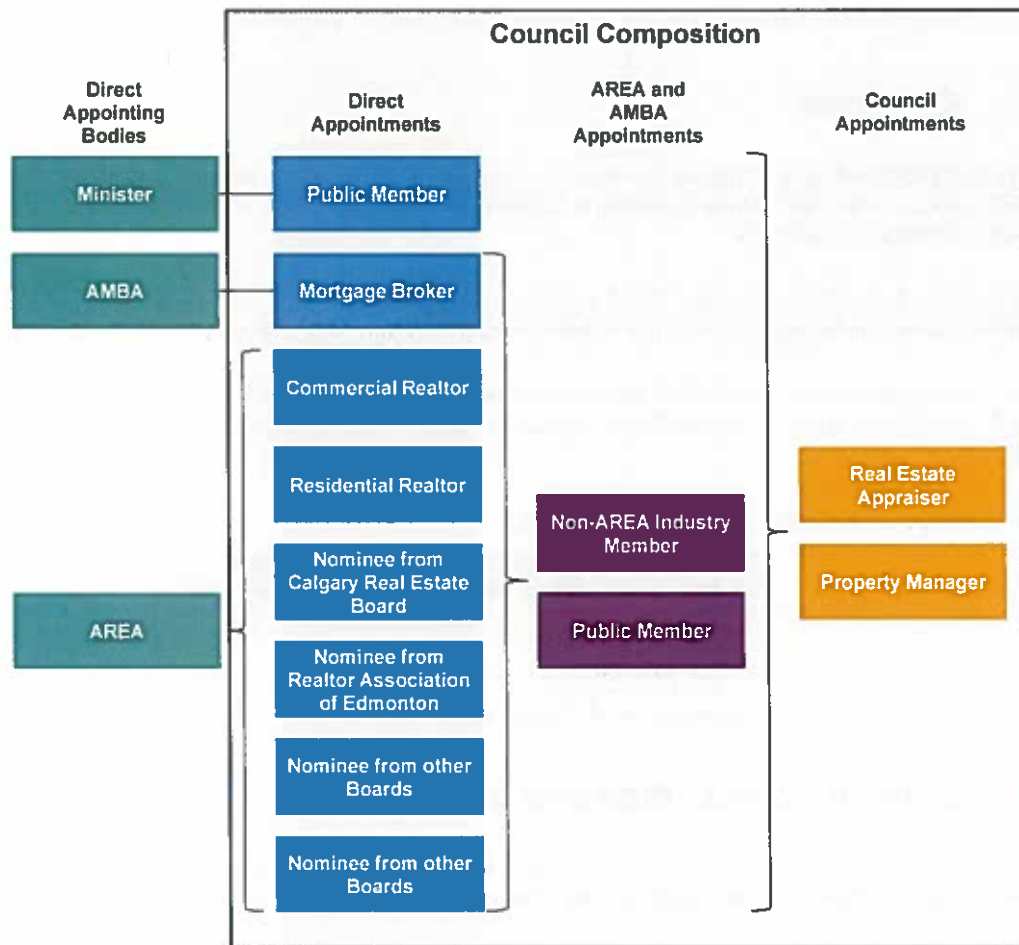
### 3.2 Council Composition and Structure

RECA's Council is comprised of 12 members appointed for three-year terms in accordance with Section 6 of the *Act* as illustrated and described on the following page in Figure 1 [2, pp. 11-12]:

- One member of the public appointed by the Minister of Service Alberta;
- One member appointed by the AMBA;
- Six members appointed by the AREA. These members are comprised of:
  - One commercial realtor
  - One residential realtor
  - One member nominated by the Calgary Real Estate Board
  - One member nominated by the Realtors Association of Edmonton
  - Two members nominated by the other real estate boards in the province;
- One public member jointly appointed by the AREA and AMBA appointees;
- One industry member that is not a member of AREA and that is jointly appointed by the AREA and AMBA appointees;
- One member that is a property manager appointed by Council; and,
- One member that is a real estate appraiser appointed by Council.

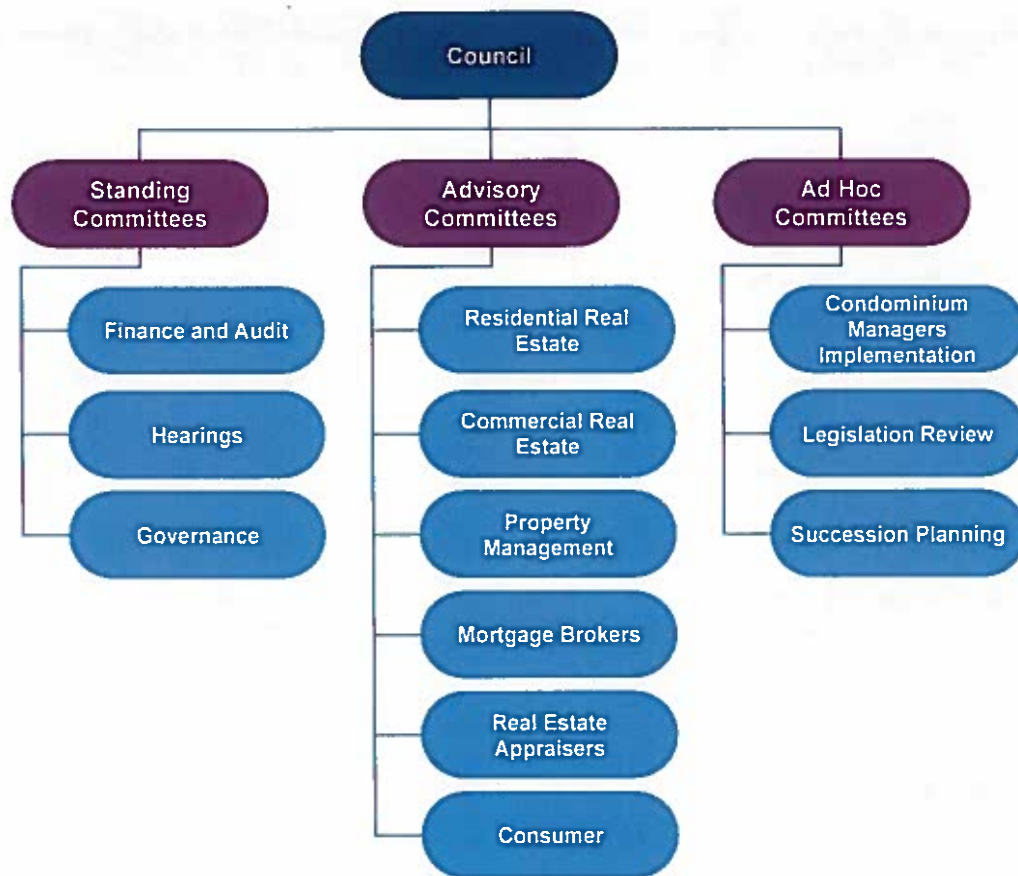


Figure 1: RECA Council Composition



Council uses three standing committees and six advisory committees [12, p. 8]. In 2018, Council had two ad hoc committees [13], and it recently established a third ad hoc committee - the Succession Planning Committee - to recruit a new Executive Director [14]. The Committee Structure is illustrated in Figure 2 on the following page.

Figure 2: Council Committee Structure



### 3.3 Comparison of Key Practices

Five comparator organizations were interviewed during the Review. Comparators were selected to represent a spectrum of regulatory models from a fully-independent, government regulator (Alberta Utilities Commission), to self-regulated professions, and finally, to a voluntary, industry-led compliance program (Alberta Construction Safety Association).

The three self-regulated professions were the Real Estate Council of Ontario (RECO), the College of Physicians and Surgeons of Alberta (CPSA), and the Association of Professional Engineers and Geoscientists of Alberta (APEGA).

Table 2 on the following page summarizes key governance practices across RECA and the more comparable three self-regulated industry associations.

Table 2: Comparison of Governance Practices

	RECA [12]	RECO [15]	CPSA [16]	APEGA [17]
<b>Board Composition</b>				
<b>Public Members</b>	2 (17% of Council) • 1 industry-appointed • 1 Minister-appointed	3 (25% of Council) • Appointed by Minister	4 (25% of Council) • Appointed by Minister	3 (16% of Council) • Appointed by Minister
<b>Industry Members</b>	10 (83% of Council) • 8 industry-appointed • 2 Council-appointed	9 (75% of Council) • Elected by membership	12 (75% of Council) • 11 elected by membership • 1 shared position (Deans of medicine)	16 (84% of Council) • Elected by membership
<b>Council Terms</b>	3 year terms Not staggered <sup>2</sup>	3 year terms Staggered	3 year terms Staggered for elected members but not public	3 year terms Staggered
<b>Reappointment</b>	No more than 2 consecutive terms	No more than 3 consecutive terms	No more than 2 consecutive terms	No more than 10 consecutive years
<b>Election of Officers</b>	Elected by Council	Elected by Council	Elected by Council	Elected by membership
<b>Officer Terms</b>	1 year	1 year	1 year	1 year
<b>Frequency of Meetings</b>	Regular – 4 per year (1 day each) No AGM Special meetings as needed	Regular – 4 per year (1 day each) AGM in spring	Regular – 4 per year (2 days each)	Regular – 4 per year (1 day each)

<sup>2</sup> While Council members' terms overlap, bylaws do not require terms to be staggered and term expiries are not evenly distributed (i.e., four terms expiring per year).

## 4 Observations and Recommendations

The Review identified one or more high-level evaluation criterion for each item contained within the Terms of Reference. Findings and an evaluation of Council's performance against each criterion are provided in Section 5. In this section, we present the more significant observations with additional context, and provide recommendations. Observations and recommendations are organized by the nine topics in the Terms of Reference.

### 4.1 Overall Governance

Council members and Administration describe the current state of Council as being challenged. There is a lack of trust among Council members and between Council and Administration, as evidenced by the number of complaints and allegations amongst and between Council members and Administration, and requests to the Minister to intervene in Council affairs from Council members and Administration. Council members and Administration perceive that the discord among them emerged primarily over the past three years. Council members and Administration staff interviewed that were involved with RECA prior to this period of time describe Council as being more harmonious and effective in the past.

RECA is performing its core regulatory functions: standards are being communicated, practitioners are being licensed, and investigations and hearings are proceeding. However, some Council members expressed concern that Council is not adequately considering longer-term and emerging industry issues that may affect the regulatory environment or the public interest. Council members claim that Council spends a disproportionate amount of time discussing governance matters, including internal conflicts such as the lawsuit against one Council member [3]. Approximately 80% of the motions brought to Council over the last three years pertain to administrative or governance issues, in comparison to 20% of decisions pertaining to strategic or regulatory matters.

RECA is a self-regulatory body, but does not have constructive relationships with its industry associations, including those responsible for appointing some of its Council members. Many industry associations, including AMBA and AREA, expressed concerns about a lack of transparency and meaningful consultation. Complaints and issues raised by AREA in particular have required RECA's time and attention, including time responding to AREA allegations made to the Minister.

AREA's primary concerns appear to center around education standards, the delegation of authorities within RECA, and communications between RECA's Council and Administration. While it is understood that regulators must maintain independence from the industry, a respectful relationship with industry can contribute to effective regulation. Industry provides important input to changes in regulation, and industry associations play an important role in communicating changes in regulation.

Finally, while Council provides strategic direction and priorities to RECA through a strategy and business plan, it lacks effective processes to evaluate the Executive Director, manage risk, and monitor expenditures. At the time of this report, six months into its 2018/19 fiscal year, Council was operating without functioning standing committees and advisory committees, and had not appointed a Chair Elect officer.

The conflicts within Council, between Council and Administration, and between Council and industry associations impede Council's ability to govern effectively. Many Council members and Administration have perspectives on the causes and potential resolutions to the conflicts, however their perspectives are not all aligned. Council has already invested significantly in advice and training from external governance

**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

consultants, and it is not clear that further remedial actions will improve Council's performance and effectiveness.

Based on the evidence outlined, it would appear that the most effective and timely way to resolve Council's governance challenges would be to dismiss all Council members. There are too many issues with the current composition and operations of Council to enable an effective governance body. Dismissing only a subset of Council could contribute to a further deterioration in trust amongst Council, Administration and industry.

However, KPMG understands that this action would not be consistent with Section 76(5) of the *Act*, which allows the Minister to issue orders to Council as a result of this Review, and Section 76(6), which allows the Minister to dismiss Council members if they do not satisfactorily comply with the orders issued.

**Recommendations**

1. The Minister should consider dismissing the current Council and appointing an Administrator as outlined in Section 76(6 a) and (b) of the *Act* in order to:
  - Eliminate Council infighting and redirect Council's effort and resources on serving the interests of Albertans;
  - Eliminate the accusations and perception that AREA is trying to control RECA through its appointees; and,
  - Be a decisive and visible way to demonstrate intolerance for poor governance practices and "reset" relations between RECA and industry.

Notwithstanding that this recommendation would likely result in a timely and definitive resolution to many of RECA's governance challenges, Section 76 of the *Act* appears to limit the Minister's ability to dismiss Council without issuing an order to Council and having Council not comply with the order. If the Minister does not make legislative changes to allow immediate dismissal of Council, the Minister should consider the following recommendations:

- 1.1. The Minister should consider ordering Council and Administration to undertake a formal dispute resolution process with an external mediator to resolve the primary disputes among Council members, and between Council and Administration.
- 1.2. The Minister should consider ordering Council to implement the recommendations in this Review in a timely manner, and provide monthly status updates on Council's progress towards implementing them.
- 1.3. The Minister should consider appointing a Monitor that would attend Council meetings and be included on their correspondence and reports. The role of the Monitor would be to:
  - Assess Council's compliance with the Ministerial orders fully and in good faith, and report to the Minister on such;
  - Act as a liaison between Council and the Minister; and,
  - Observe Council's performance and its progress generally towards becoming more effective at governing RECA and regulating the industry.
2. If the Minister dismisses Council and appoints an Administrator, the Minister should consider proceeding with the selection of a new Executive Director to replace the retiring Executive Director in



August 2019. A timely change in the Executive Director would be an opportunity to signal a renewed interest in building constructive relationships (see Section 4.5 Relationships).

3. Prior to reappointing a Council, the Minister should consider evaluating and enacting legislative changes to the *Act* to address the composition of Council (see Section 4.2 Composition and Appointment).

These recommendations have precedence in Service Alberta. In 2017, similar changes to the Alberta Motor Vehicle Industry Council (AMVIC) occurred [18] [19]. Following governance and operational reviews, AMVIC was found to have a number of challenges, and was perceived to be dominated by industry. The Minister changed the Council composition and appointment process to increase public participation and improve government oversight.

## 4.2 Composition and Appointment

### 4.2.1 Council Members

RECA's Council composition is set out in the *Act* and further described in Section 3.2. 10 of 12 Council members represent professions within the real estate industry, and 8 of those positions are appointed by industry associations or their appointees. As such, RECA is controlled by the professions it regulates and describes itself as a self-regulatory body. A trend in jurisdictions outside of Canada, most notably the United Kingdom (UK), is to move away from self-regulation [4, p. 8]. Regulatory bodies are moving towards a balance of industry and public members; this trend is described as a transition from self-regulation to shared regulation [5, p. 6].

Within Canada, self-regulatory bodies remain common, however there is a trend towards increased public representation on regulatory bodies. Regulators commonly require 25 to 50% of their governing body to be comprised of public members [6, p. 3] [7, p. 10]. The Real Estate Council of British Columbia is comprised entirely of public members [8], while the *Organisme d'Autoréglementation du Courtage Immobilier du Québec* (the Quebec real estate industry regulator) is transitioning to 50% of its membership being public [9]. The trend towards greater public representation is important for regulators in that it:

- Increases accountability and transparency to the public and increases the credibility of the profession being regulated in the eyes of the public [5, p. 6]; and,
- Enables regulators to implement skills-based boards, which is a leading practice in board governance. Skills-based boards aim to build a board of members that bring targeted skills and experience, such as governance, finance and law. Regulators that draw primarily from the industries they regulate are limited in their ability to recruit the ideal mix of skills [5, pp. 6-7].

The trends towards shared regulation and skills-based boards is also reflective of a philosophical change in the role of governors. Governors are no longer *representatives of their industries* [5, p. 6], but rather, bring specific skills and perspectives to be effective at *governing the regulator*. This is aligned with their fiduciary duties to an organization, and is a distinction that may not be fully appreciated by industry associations.

AREA's dominance in making Council appointments to RECA raises two other considerations:

- AREA appoints a commercial representative, however, commercial realtors are often not members of AREA; and,

- Local real estate boards now have an option to opt out of AREA and join the Canadian Real Estate Association directly. Calgary and Edmonton boards advocated for this recent change, although neither have opted out of AREA yet [20]. Should either board opt out of AREA, a significant portion of provincial realtors would no longer be represented by AREA.

Finally, the *Act* requires two appointments to be made "jointly" by six AREA appointees and one AMBA appointee. In the latest round of appointments, Council members were unable to agree on the interpretation of the term "jointly."

Specifically, they were divided on whether it meant by "consensus" or by "majority vote." Consensus would in effect give the AMBA appointee a veto, while "majority vote" would give the AREA appointees the power to decide, except in the case of a tie vote among AREA appointees.

## **Recommendations**

4. The Minister should consider amending Section 6 of the *Act* to increase public representation on Council, and prevent any one body from having undue influence over the appointments of Council members. For example, the Minister could explore the following:
  - Include at least three public members (25%) not appointed by industry to be consistent with leading practice to increase public presentation on regulatory boards and pursue a skills-based board;
  - Appoint industry members directly from their professions, and not through industry associations; and,
  - Balance industry professions. Industry appointees would need to provide specific skills (i.e., knowledge of their industry and professions) in keeping with a skills-based board and not be representatives of their industries. Industries do not need to be represented proportionately.

As part of this recommendation, the Minister should work with Council to identify required skills to be an effective governing body and to use its public appointments to address the desired skill requirements.

If the Minister dismisses Council, they should consider amending Section 6 of the *Act*, before a new Council is appointed (see 4.1 Overall Governance).

### **4.2.2 Executive Positions**

RECA follows a model for its executive positions that is seen in several other non-profit organizations [21, p. 7]. Council elects a Chair Elect for a one-year term. The Chair Elect then moves into the Chair position for one year, and completes the executive rotation with one year in the Past Chair position.

All three executive positions are officers of RECA. This approach has the effect of mentoring and preparing the Chair Elect so that they are prepared for their role as Chair. The Past Chair provides continued leadership and support to the Chair and Chair Elect. In this way, RECA's executive rotation promotes continuity and stability. We identified a one-year term to be common among the comparable organizations that we contacted.

However, we noted that the executive rotation as designed does not always align with Council member terms. Figure 3, on the following page, shows three scenarios. In the first scenario, a Chair Elect is voted

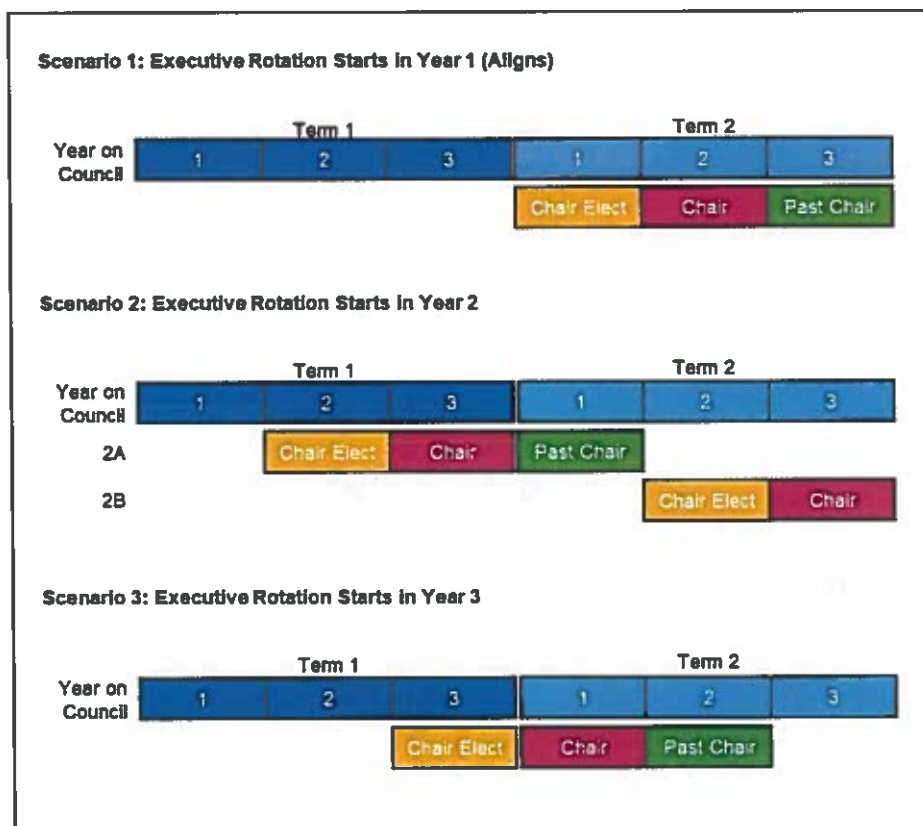
**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*

into office in the first year of their second term as a Council member (RECA's bylaws do not enable a Council member to be elected into an officer position in their first year on Council).

The second scenario shows the Chair Elect being voted into office in the second year of the first term (2A) or second term (2B). Scenario 2A raises the possibility that the member would not be reappointed in their second term, and RECA would not benefit from the experience of a Past Chair. The current Chair is in their third year of their first term. Scenario 2B would automatically mean the Past Chair position would be vacant.

In the final scenario, the Chair Elect is voted into office in the third year of their first term. The previous Chair Elect is an example of Scenario 3. They assumed office in their third year of their first term and were not appointed for a second term. RECA's bylaws do not account for the election of a Chair. A scenario in which a Council member is voted into the Chair Elect position in the final year on Council is unlikely.

**Figure 3: Example Executive Rotations**



The above scenarios can be further complicated by an option to extend the three positions by a second year each.

## Recommendations

- The Minister should consider requiring that Council amend its bylaws to reflect the following changes:

- Deem the Chair Elect to be reappointed for the start of their second term, or automatically reappoint Council members for a second term, except for reasons of non-performance (see Section 4.6 Council Operations and Functioning). Such changes would also require an amendment to the *Act*; and,
- Include a process to vote for the Chair position in the event that the Chair Elect leaves Council.

## **4.3 Roles and Responsibilities**

### **4.3.1 Role of Council**

Council members assert that they understand their fiduciary duties to RECA, and that they understand the primary mandate of RECA is to protect consumers and the public interest.

Council appears to spend a disproportionate amount of effort on administrative and governance-related matters and relatively less time addressing more strategic industry and regulatory issues.

Council made 31 motions over the last three years pertaining to regulatory matters. This included 14 motions at one meeting pertaining to Residential Measurement Standards. These regulatory motions represented approximately 20% of Council motions, compared with approximately 50% pertaining to administrative matters (e.g., amendments of committee terms of reference), and 30% pertaining to bylaw and policy changes (e.g., amendments and approval of Council code of conduct policy).

Several Council members stated a concern about the amount of meeting time devoted to discussing governance as compared to the time spent discussing strategic and regulatory matters. Despite this emphasis on governance and administrative matters, there are some matters that remain to be addressed by Council. For example, Council has not elected a Chair Elect or committee Chairs for standing and advisory committees six months into its 2018/19 fiscal year.

### **Recommendations**

6. The Minister should consider monitoring how Council allocates its efforts to ensure it focuses sufficient attention on the strategic and regulatory mandate of RECA.

### **4.3.2 Bylaw Changes**

RECA does not have a defined membership to which Council is accountable [2]. As such, it is not required to seek the approval of its members to change the rules by which Council operates - its bylaws. Common practice is for organizations to seek approval from their members or shareholders for bylaw amendments at an annual general meeting, or a special meeting [22].

Non-profit organizations are required to file bylaw changes with a government registrar [22] [23, pp. 7,8]. Many Alberta agencies that do not have external constituents other than the Government are required to seek Ministerial approval for changes to their mandate, roles and policies, which serve in place of bylaws [10, pp. 6,7,10].

RECA's Council has brought forward eight motions related to bylaw changes in the past three years, six of which passed. Most of the bylaw changes are reviewed by Council's Governance Committee before being brought forward to Council for decision. The most recent, approved bylaw change was introduced at the Council meeting without prior examination by Council's Governance Committee as to the merits of the change and its potential implications.

## Recommendations

7. The Minister should consider amending the *Act* to require bylaw changes be approved by external constituents in order to provide accountability over the rules by which Council operates. Until the *Act* is amended, the Minister should consider ordering Council to submit all changes to its bylaws for the Minister's review and approval.
8. The Minister should consider requiring the Chair to enforce good governance practices during Council meetings and to not accept motions to amend bylaws in Council meetings unless the proposed amendments have been reviewed by Council's Governance Committee.

### 4.3.3 Performance Management and Succession Planning

RECA has a documented succession plan for its Executive Director [24]. The plan was recently reviewed by an external consultant, and while the consultant provided recommendations for future improvements, they found the plan to be reasonable [25].

A Succession Planning Committee to recruit the new Executive Director was formed in March 2019, giving Council only five months to recruit and hire a replacement Executive Director before the incumbent's retirement in August 2019. The succession plan articulates that a Succession Planning Committee will be responsible for recommending one candidate to Council. Some Council members expressed concern that the selection process may be unduly influenced by the incumbent Executive Director or those Council members that they perceive to be aligned with the Executive Director.

Council conducted performance evaluations of the Executive Director in 2016 and 2017, however, Council does not appear to have a consistent format and process for conducting these evaluations. The 2016 and 2017 evaluations were structured by the Chairs at the time, and included input from all of Council. No evaluation was performed in 2018 as the Chair felt it unnecessary given the Executive Director's announced retirement for August 2019.

## Recommendations

9. If an Administrator is not appointed by the Minister (see 4.1. Overall Governance), the Minister should consider requiring the Succession Planning Committee bring forward two possible candidates for Council to consider in order to build trust in the process of hiring a replacement Executive Director.
10. The Minister should consider requiring Council to establish and follow a defined, annual performance management process for the Executive Director.

### 4.3.4 Risk Management

Council does not proactively identify and monitor risks to the organization in a structured manner. A confidential study on RECA's Council completed in 2017 identified this as a deficiency and Council intends to implement a risk management framework [26].

## Recommendations

11. The Minister should consider requiring Council to implement a risk management framework, as planned by Council. Given the importance of monitoring and managing risk to the governance role of Council, the Minister should consider requiring Council to implement the risk management framework within the current fiscal year.



## 4.4 Power and Authorities

The Chair position at RECA has distinct authorities [27]. However, some interviewed Council members perceive that the Chair does not have any authority beyond that which is explicitly granted by Council at Council meetings.

For example, there continues to be considerable debate amongst Council as to the role and authorities of the Chair position in relation to engaging external advisors, despite revising the Chair position description in 2018 to be explicit on this matter. In another example, Council changed a bylaw in January 2019 to remove the appointment of committee chairs from the mandate of the Chair. It is an acceptable practice for the Chair to have such authority [28, p. 18].

The Chair is responsible for calling Council meetings and setting meeting agendas [27]. Following the January 23, 2019 meeting, there were significant outstanding matters for Council to address. Specifically, the election of Chair Elect, election of Committee Chairs, and the appointment of Committee members.

While the Chair subsequently organized an email vote for the chair of the Succession Planning Committee, it is unclear if the remaining appointments will be addressed before the next quarterly Council meeting in April 2019. By then, RECA will be seven months into its 2018/19 fiscal year.

Some Council members expressed concerns that their suggested agenda items are not addressed. Two Council members shared a log of items they felt have not been addressed by Council at its meetings. It is unclear to these members why items are not included on the agenda.

### Recommendations

12. The Minister should consider requiring Council to call meetings in a timely manner to address matters that affect its ability to operate effectively.
13. The Minister should consider requiring Council to establish a more transparent agenda-setting process. The process would require the Chair to communicate reasons for not including or deferring agenda items.

### Authorities and Example Duties of Council's Chair

#### Authorities [61]

Approve the professional development of the Executive Director

Select committee chairs and members (this authority was revoked by Council resolution in January 2019 [53])

Assist in maintaining RECA's relationship with Service Alberta

Approve unbudgeted expenditures (capital or operating) less than \$100,000

Approve reserve fund investment deviations less than \$250,000

#### Example Duties [37]

Guide Council and committees

Liaise with the Executive Director and coordinate their performance evaluation

Prepare Council agenda, and convene and chair meetings

Act as the official RECA spokesperson and respond to correspondence

Seek external legal and technical advice as necessary

Issue Temporary Orders under Section 53 of the Act

## 4.5 Relationships

Council does not have a constructive and trusting relationship with Administration. This perspective is shared by Council and senior leadership. There are allegations of wrong-doing levied against members of Administration by Council members and vice versa. Some Council members perceive that Administration tries to control Council, and some senior staff perceive that some Council members are trying to undermine and disrupt Council. Mutual trust and respect between Council and Administration is important to support effective governance.

The relationship between RECA and its primary industry stakeholders is similarly challenged. AREA has obtained legal opinions on aspects of RECA's authority and operations (e.g., regarding education standards and the delegation of authorities). Both organizations have written letters of concerns about the actions of the other to the Minister.

Similarly, representatives from other stakeholder organizations, such as AMBA and the Appraisal Institute of Canada, expressed frustration with RECA over what they perceive to be a lack of transparency in decision making, and stakeholder engagement that is insufficient and disingenuous. Regardless of the merits of these concerns, RECA's ability to be an effective regulator will be hampered if it does not have the support and trust of its industry stakeholders.

While stakeholders were relatively satisfied with the information they receive on RECA's activities, the Review noted that RECA does not use a performance management framework to communicate its effectiveness (this is further discussed in Section 4.8 Accountability and Oversight).

### Recommendations

14. The Minister should consider requiring RECA to pursue a formal dispute resolution process with AREA using an external mediator to resolve the primary disputes between their organizations, and to agree on protocols to interact more constructively.
15. The Minister should consider requiring that RECA solicit feedback and input from its industry stakeholders on the adequacy of its stakeholder engagement activities, and strive to ensure that all engagement is meaningful in the eyes of the stakeholders, and that decisions are more transparent. An independent third-party could be contracted to obtain the feedback and input to encourage openness and to avoid a perception of bias in consolidating and communicating the results.

## 4.6 Council Operations and Functioning

The nature and degree of discord within Council, between Council and Administration, and between Council and stakeholders appears to be negatively affecting Council's ability to govern RECA and regulate the industry. This is despite RECA's concerted efforts to improve Council's governance by seeking advice and training from external consultants, and supporting individual training for Council members.

Council lacks a dispute resolution process to address its internal challenges, and the only option to remove a Council member for misconduct or poor performance is through a court action.

While Council uses standing, advisory and ad hoc committees, its committees have not met this year, and with the exception of the Succession Planning Committee, none have been assigned chairs and members. This is due to challenges with Council being able to meet and agree upon the process to elect committee chairs and assign committee members. The terms of reference for each committee need to be

updated, at a minimum, to reflect the recent bylaw change requiring that committee chairs be voted upon by Council.

### **Recommendations**

16. The Minister should consider requiring Council to establish its committees as soon as possible for the current fiscal year.
17. The Minister should consider requiring Council to review the terms of reference for all its committees so that they continue to reflect Council's intent for them.
18. The Minister should consider amending the Act and requiring Council to make supporting bylaw changes to implement a dispute resolution process for Council members.

## **4.7 Council Evaluation and Competence**

Council does not evaluate its performance or the performance of individual Council members. Evaluation of RECA's Council has been recommended by previous consultants and Council intends to implement a process in the future [26].

Board member evaluations are becoming common practice and are used to improve a board's performance and processes [29, p. 52]. Some models use board director performance evaluations to determine reappointment eligibility for subsequent terms [30, p. 9].

### **Recommendations**

19. The Minister should consider requiring Council to implement a formal performance evaluation process and use evaluations of its individual members as a criterion in determining eligibility for reappointment.

## **4.8 Accountability and Oversight**

The Review did not identify material deficiencies in Council's processes to monitor RECA's performance against its strategic goals or to report on the achievement of its mandate to the Minister. However, Service Alberta expressed concern that the prior reporting it had received from RECA did not indicate the mounting challenges that Council is now experiencing.

Council does not use a performance management framework to monitor RECA's performance, and to report on its effectiveness to stakeholders, including the Minister. A performance management framework is a leading practice that links measures and indicators to strategic priorities and outcomes so that progress towards achieving outcomes can be assessed.

### **Recommendations**

20. The Minister should consider requiring Council to include an evaluation of its performance as part of its annual reporting to the Minister. Council's performance evaluation should include an assessment of the working relationships within Council, between Council and Administration, and with key industry stakeholders.
21. The Minister should consider requiring Council to implement a performance management framework and use it to evaluate and communicate RECA's effectiveness in fulfilling its mandate.

## 4.9 Other Governance Areas

The Terms of Reference for the review allowed for the addition of other matters pertaining to governance.

This Review noted potential deficiencies in how Council grants spending authority to Administration and monitors expenditures. Council approves RECA's annual budget, which is intended to provide spending authority to Administration [12, pp. 10-11]. However, the approved budget contains varying levels of aggregation of expenses, and it is not clear at which level spending authority is granted.

For example, the 2018 year-end audited financial statements showed a budgeted amount of \$1,270,000 for Professional Services. The 2018 budget has a line item for External Legal Fees of \$220,000. The budget discussion document shows an amount for Corporate Legal Counsel of \$100,000 [31].

Quarterly and annual financial statements use line items to report actual results that differ from the budget line items. This makes it difficult for Council to determine how actual expenditures relate to the approved budget and if a significant variance has occurred.

RECA's authority matrix requires that unbudgeted amounts in excess of \$100,000 require Council approval. There is no record in Council minutes of an approval for the 2018 external legal fees that exceeded the approved budget by more than \$100,000. Several Council members questioned whether external legal fees in excess of budget were approved.


### Recommendations

22. The Minister should consider requiring Council to approve RECA's budget at a level of detail that reflects the level of spending authority being granted. The approved budget should be clearly stated as such.
23. The Minister should consider requiring that RECA's quarterly reporting of actual results be provided to Council in the same level of detail and using the same line items as the approved budget.
24. The Minister should consider requiring RECA to provide Council a reconciliation between the year-end financial statements and the quarterly reporting, if these are prepared at different levels or using different line items.

## 5 Findings by Area of Review



For each item identified in the Terms of Reference, KPMG developed evaluation criteria and confirmed the criteria with Service Alberta. The evaluation criteria are shown along with KPMG's observations and an indication of whether or not RECA generally meets, partially meets or does not meet the criteria. Cross references to other items are noted in brackets.

The use of the term Council in the table refers to the appointed Council members, and not RECA as a whole.

Ref	Review Item	Criteria	Observations	Rating
1.	Overall Governance			
1.1	<b>Current model for governance</b> Review and evaluation of the current model for governance used by the Council	Summative evaluation based on assessment in all areas of investigation	RECA employs a policy governance board model, under which the board sets policy and provides oversight, and staff are responsible for operations [32, p. 14]. Council sets direction for RECA and monitors its performance as evidenced by Council-approved: <ul style="list-style-type: none"> <li>— Strategy [33]</li> <li>— Business plan to implement the strategy [34]</li> <li>— Annual budget aligned to the business strategy [31]</li> <li>— Quarterly updates on progress against the business plan [35]</li> <li>— High-level reporting on key operational metrics [36]</li> </ul> There was no evidence to suggest that Council interfered in RECA operations. Findings on matters pertaining to evaluating the performance of the Executive Director (3.6), managing risk (3.7), and financial oversight (9.1), suggest potential weaknesses in Council's oversight of RECA.	Partially meets 





**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

Ref	Review Item	Criteria	Observations	Rating
1.2	<b>Governance structure</b> Review of policies systems and structures and strategic / operational tools, and strategies to support effective governance	Policies, processes, systems, structures and related tools promote effective governance of the corporation	<p>There was no indication that the policies, processes, structure and related tools used by Council materially impeded effective governance:</p> <ul style="list-style-type: none"> <li>— RECA has a statement on self-regulation [1], bylaws [12], Council-specific policies [37], Council position descriptions [27], standing and ad hoc committees, and terms of reference for committees [38] [39] [40] [41] [42] [13]</li> <li>— The list of bylaws, policies, Council positions and standing committees are consistent with general practice, as referenced in the Muttart Foundation board development materials [43] and the Alberta Public Agencies Governance Framework [44]</li> <li>— RECA does not have a Code of Ethics separate from its Code of Conduct for Council members [45] [46]</li> <li>— Council uses BoardVantage as a system to manage communication, and share and archive Council documents [37, p. 3]</li> </ul>	<p>Generally meets</p> 
1.3	<b>Council dynamics and challenges</b> Review and evaluation of the governance dynamics and challenges faced by the Council, including the functioning of Council and interactions between Council members	Absence of challenges or dynamics that significantly impede Council's ability to govern effectively	<p>There are significant challenges amongst Council and between Council and Administration:</p> <ul style="list-style-type: none"> <li>— Council is pursuing court action against another Council member [3]</li> <li>— In the past year, at least three Council members have written to the Minister about the actions of other Council members [47] [48] [49]. One of these letters called for the newly-elected Chair to resign. The other letters alleged "inappropriate," "improper" and "illegal actions"</li> </ul>	<p>Does not meet</p> 

**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*

Ref	Review Item	Criteria	Observations	Rating
			<ul style="list-style-type: none"> <li>— A Council member distributed to Council a list of alleged wrong-doings on the part of the Executive Director and called for the immediate suspension of the Executive Director [51]</li> <li>— One Council member claims his eligibility to serve on Council was the subject of an investigation by the Executive Director.</li> <li>— Two senior staff members have filed harassment complaints against three Council members</li> <li>— All Council members and senior staff interviewed as part of the Governance Review described the dynamics on Council as being challenging, citing interpersonal conflicts and a general lack of trust</li> <li>— In total, 7 of 12 Council members and 3 staff are either complainants, affiants or defendants in the above complaints and allegations</li> <li>— Council requested an information session on its directors insurance at which questions were raised about liability coverage against actions brought about between insureds (i.e., between Council members, and between Council members and staff) [52]</li> </ul>	


**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

Ref	Review Item	Criteria	Observations	Rating
1.4	<b>Overall effectiveness</b> Review and evaluation of the Council's effectiveness in leading the organization as the regulator for the real estate sector	Summative evaluation based on assessment in all areas of investigation	<p>The challenges on Council are affecting its ability to function:</p> <ul style="list-style-type: none"> <li>— Council was unable to approve the audited financial statements from 2017/18 in time to meet its reporting deadline [53]</li> <li>— Council was unable to agree on the appointment of two new Council members in November 2018, and required direction from the Minister [54] [55] [56]</li> <li>— Council has not been able to appoint or elect Committee Chairs or appoint Committee Members for the current fiscal year, and no Committees have met [14]</li> <li>— Council has not elected a Chair-Elect, one of its officer positions for the current fiscal year [53]</li> </ul> <p>In addition, Council appears to be preoccupied with administrative and governance issues at the expense of regulatory issues (3.3) and lacks a constructive relationship with its staff (5.1) and industry stakeholders (5.2).</p>	<p>Does not meet</p> 
<b>2. Composition and Appointment</b>				
2.1	<b>Composition of Council</b> Review and evaluation of the composition of the Council, including that it sufficiently and appropriately reflects the public and consumer interests	Composition of Council as mandated through legislation sufficiently and appropriately reflects the public and consumer interests	<p>The Council composition does not appropriately reflect the public and consumer interests, as only two members are considered to be 'public', one of whom is appointed by industry. Further, Council composition is largely dominated by a single industry association, AREA:</p> <ul style="list-style-type: none"> <li>— RECA has 2 of 12 members that are public members. The current trend among regulatory bodies is to have at least 25% of the board comprised of public members [6, p. 3] [5, p. 1] [7, p. 10]. For example, the Real Estate Board</li> </ul>	<p>Does not meet</p> 





**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*

Ref	Review Item	Criteria	Observations	Rating
			<p>of Ontario has 3 of twelve public members [15]. The Organisme d'Autorégulation du Courtage Immobilier du Québec (the Quebec real estate industry regulator) is transitioning to 50% of its Board being public [9].</p> <ul style="list-style-type: none"> <li>— AREA appoints 6 members to Council. Those members control the appointment of an additional 2 members (this assumes that "jointly" is interpreted as a majority vote) (2.2), and collectively, these 8 appointments determine the appointment of 2 more Council members [2].</li> <li>— AREA appoints one Council member that must be trading in industrial, commercial and investment real estate. Some Council members claim that most commercial realtors are not members of a real estate board. A comparison of RECA-licensed associates at three large commercial real estate companies to Alberta Realtors™ for the same companies confirmed that only a small proportion of RECA-licensed commercial associates are Realtors™.</li> <li>— The Canadian Real Estate Association (CREA) now allows regional boards (e.g., Realtors Association of Edmonton, Calgary Real Estate Board, and the 8 other regional boards within Alberta) to be direct members of the CREA; they no longer have to be members of a provincial association. Should boards secede from AREA, it would no longer represent all of the real estate boards in the Province. However, it would still have the ability to appoint their representatives to RECA [20].</li> <li>— A significant trend in governance is the use of a skills-based board, which identifies required</li> </ul>	

**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**


Ref	Review Item	Criteria	Observations	Rating
			skills (e.g., finance, legal, governance, real estate, etc.) and actively recruits board members with appropriate skills [6, p. 2] [57]. With 8 of 12 Council members appointed by industry and the Ministry, RECA is challenged to recruit a skills-based Council, which has the potential to limit its effectiveness as a regulator.	
2.2	<b>Council appointments</b> Review and evaluation of adherence to processes set out in bylaw or policy to guide or determine appointments made in accordance with the Act	Council appointments comply with the <i>Real Estate Act</i> and the Real Estate (Ministerial) Regulation	<p>The Review did not identify material issues with respect to the adherence to bylaws and policies pertaining to the appointment of Council members [2] [58]. However, the following challenges and irregularities were identified with the appointment process:</p> <ul style="list-style-type: none"> <li>— Section 6(1 e) of the Act states that Council members appointed by AMBA and AREA shall “jointly” appoint two Council members. RECA’s General Counsel advised Council that jointly meant by consensus. AMBA and AREA members were unable to reach consensus on one of the appointments for the 2018/19 year. Upon direction from the Minister to resolve the matter, Council moved that “jointly” shall be interpreted to mean by majority vote [59].</li> <li>— Four AREA-appointed Council members attempted to circumvent the Nomination Committee in appointing a Section 6(1, 3) appointee on the understanding that they represented the majority of appointers. They subsequently retracted their attempt in favour of the nomination process [59].</li> </ul> <p>A Council member stated that the Executive Director investigated the eligibility of the Council member. The Council member was appointed in 2015 as a commercial real estate agent, but was alleged to do limited work in this</p>	<p>Partially meets</p> 

**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**



Ref	Review Item	Criteria	Observations	Rating
			space. Administration states that Service Alberta concluded the Council members' appointment was valid.	
		Processes, bylaws and policies to appoint Council members comply with the <i>Real Estate Act</i> and the <i>Real Estate (Ministerial) Regulation</i>	Notwithstanding the outstanding interpretation of the term "jointly," the Review did not identify material differences between the appointment processes of Council and the <i>Act</i> .	Generally meets 
2.3	<b>Influence of appointing persons or bodies</b> Review and evaluation of the influence of appointing persons or bodies on their appointees after the appointment has been made	Council members are not unduly influenced by their appointing persons or bodies	No evidence was identified in Council minutes of general meetings over the last three years that Council members' voting patterns aligned with an industry associations' positions on matters. However, Council meeting minutes do not often record the number of votes or the individuals voting on motions.	Generally meets 
2.4	<b>Council understanding of appointment provisions</b> Review and evaluation of the Council members' understanding regarding the requirements for the appointments made under s 6(1)(e) and (f) of the <i>Real Estate Act</i>	Council members understand the requirements under the <i>Real Estate Act</i> , Section 6(1)(e)&(f), regarding how Council members are to be appointed	Council members understand the appointment of members under s 6 (1 e) and (f) of the <i>Act</i> , with the exception of different interpretations of the term "jointly".	Generally meets 
2.7	<b>Appointment eligibility, terms and reappointment</b> Review and evaluation of the processes and terms of appointment, renewal/reappointment, and eligibility requirements	Criteria for appointment and re-appointment is consistent with general practice amongst non-profit corporations	Terms for Council members and reappointments are consistent with general practice amongst non-profit corporations and other regulators [12]. The eligibility and appointment of Council members is not consistent with general practice amongst non-profit corporations and other regulators.	Partially meets 





Service Alberta  
ADVICE TO MINISTER  
Governance Review of the Real Estate Council of Alberta

Ref	Review Item	Criteria	Observations	Rating
			<p>Leading practice is for organizations to follow a competency-based appointment process, however:</p> <ul style="list-style-type: none"> <li>— RECA has no control over industry appointments and relies on its industry associations to determine the eligibility of their appointments.</li> <li>— With a requirement that 10 of 12 members must come from industry, there is limited opportunity to pursue a broader-range of skills and backgrounds.</li> </ul>	
2.8	<p><b>Election of officers of the corporation</b></p> <p>Review and evaluation of bylaws and policies to elect members of the Council to serve as officers of the corporations, including adherence to these bylaws and policies</p>	<p>Corporate bylaws and policies regarding the election of officers comply with relevant sections of the <i>Real Estate Act</i> and are consistent with general practice amongst non-profit corporations</p>	<p>The bylaws to elect officers create the possibility that the expected succession of the Chair Elect to Chair to Past Chair may not happen [2] [12]. There are two situations in which the succession may not happen:</p> <ul style="list-style-type: none"> <li>— A Council member becomes Chair Elect in the second or third year of their term. In this case, the Chair Elect's term will end before they become either Chair or Past Chair. If they are not reappointed for a second term, or are already in their second term, they will not complete the succession. The most recent example of this occurred last year when the Chair Elect's first term ended in October 2018 and the Chair Elect was not reappointed. This left Council without a Chair entering its 2019/20 year.</li> <li>— The bylaws allow for the Chair-Elect, Chair and Past Chair to serve a second term, in which case there would be an increased risk that the Chair Elect or Chair would not complete the normal succession.</li> </ul> <p>Should these situations occur, the bylaws present two additional challenges:</p>	<p>Does not meet</p> 


**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

Ref	Review Item	Criteria	Observations	Rating
			<ul style="list-style-type: none"> <li>— There is no allowance in the bylaws to vote for a Chair. Only the Chair-Elect position can be voted and the Chair-Elect then becomes Chair in the following year. In the event the Chair-Elect does not become Chair, the bylaws do not provide a process for electing a Chair.</li> <li>— The Past Chair position is an officer position and cannot be filled by election. If the Past Chair is no longer on Council, one officer position would be vacant.</li> </ul>	
2.9	<b>Officer terms</b> Review and evaluation of the terms that the Chair and other officers are appointed to serve, and whether the terms and processes support longer-term and stable leadership	Officer terms balance stability in leadership, reasonable period of commitment, and succession	A one-year term is a reasonable period to support stable leadership [12]. <ul style="list-style-type: none"> <li>— Council interviewees were generally accepting of a one-year term, although some suggested a two-year term may be more appropriate.</li> <li>— A one-year term is used by 4 of the 5 comparator organizations contacted.</li> <li>— Consideration was given to the use of the Chair-Elect and Past Chair positions, which support continuity in leadership and enables the Chair-Elect to be more effective once in the Chair position.</li> </ul>	Generally meets 
<b>3. Roles and Responsibilities</b>				
3.1	<b>Understanding of roles and fiduciary responsibilities</b> Review and evaluation of the Council's understanding of their roles and fiduciary responsibilities, including their obligation to act in the best interests of RECA	Council members understand their role and fiduciary obligations	Council members articulated that they understood their roles and their fiduciary obligation to the corporation. There were questions raised by some Council members and staff around the duty of loyalty in other Council members. This is the subject of complaints and allegations and was not investigated further.	Generally meets 



Service Alberta  
 ADVICE TO MINISTER  
 Governance Review of the Real Estate Council of Alberta

Ref	Review Item	Criteria	Observations	Rating
3.2	<b>Council understanding of RECA's mandate</b> Review and evaluation of the Council members' understanding that RECA's mandate is the protection of the public, including the protection of consumers	Council members understand RECA's mandate	Council members stated their understanding of RECA's mandate is the protection of the public, including the protection of consumers.	Generally meets 
3.3	<b>Exercise of the roles and responsibilities of Council</b> Review and evaluation of the exercise of the roles, responsibilities, and mandate of the Council	Council decisions are consistent with its roles and responsibilities	<p>There was no evidence to suggest that Council is acting outside of its roles and responsibilities. However, Council does not appear to be fulfilling some of its roles and responsibilities:</p> <ul style="list-style-type: none"> <li>— Council spends a disproportionate amount of effort spent on governance related matters at the expense of addressing more strategic industry issues. An analysis of meeting minutes shows that over the last three years, approximately 20% of Council motions pertained to regulatory matters. This compares with approximately 50% pertaining to administrative matters, and 30% pertaining to bylaw and policy changes. Several Council members commented that Council does not spend sufficient time on strategic matters.</li> <li>— Despite unsuccessful attempts to conduct votes by email, Council has not elected or appointed a Chair and members to standing, advisory and ad hoc Committees [53] [14].</li> <li>— Council did not approve the 2018 audited financial statements at its January 23, 2019 meeting [53]. The statements were subsequently approved with the addition of an unaudited budget column [60].</li> </ul>	Does not meet 



Service Alberta  
 ADVICE TO MINISTER  
 Governance Review of the Real Estate Council of Alberta

Ref	Review Item	Criteria	Observations	Rating
			<ul style="list-style-type: none"> <li>— There continues to be considerable debate amongst Council as to the role and authorities of the Chair position in relation to engaging external advisors, despite revising the Chair position description in 2018 to be explicit on this matter [27].</li> </ul>	
3.4	<b>Establishment of bylaws and policies</b> Review and evaluation of the Council's processes to establish bylaws and policies to govern RECA, operations and regulatory responsibilities of the organization	Council's process to establish and amend as necessary corporate bylaws and policies is documented and is consistent with required legislation and regulations, and general practice amongst non-profit corporations	Council does not have an effective process to establish or amend bylaws and policies. <ul style="list-style-type: none"> <li>— Council's process to establish, amend and repeal bylaws is documented in 8(3) of the bylaws, which simply states a required quorum of eight Council members. General practice is that bylaw changes are approved by a board to take forward to their members / shareholders, where they are subsequently approved. Most non-profit organizations are required to file bylaw changes with Government [22] [23]. RECA does not have a body of constituents to which it is accountable for bylaw changes, and does not have to file bylaw changes with Government [12].</li> <li>— Council had initiated a process to review its policies through a sub-committee of the Governance Committee. Neither are currently active [53].</li> <li>— At the January 2019 meeting, one bylaw was changed (requiring a Council vote on Committee Chairs). The change was not on the agenda and had not been reviewed or discussed previously by Council or the Governance Committee. The bylaw passed without consideration for broader implications. In February 2019, the first vote for a Committee</li> </ul>	Does not meet 

Service Alberta  
 ADVICE TO MINISTER  
 Governance Review of the Real Estate Council of Alberta



Ref	Review Item	Criteria	Observations	Rating
			<p>Chair resulted in a tie vote and a dispute as to how to resolve the tie [53].</p> <ul style="list-style-type: none"> <li>— In the last three years, there have been 8 bylaws changes brought forward at Council meetings, 6 were carried, 1 defeated and 1 tabled.</li> </ul>	
3.5	<p><b>Succession planning, recruitment and appointment of Executive Director</b></p> <p>Review and evaluation of the Council's strategy for Executive Director succession planning, including recruitment and appointment</p>	Council has a succession plan in place for the Executive Director that is complete, current and adequate	<p>Council has a succession plan for the Executive Director [24], but has not implemented it in anticipation of his stated plans for retirement at the end of August 2019. Additionally:</p> <ul style="list-style-type: none"> <li>— RECA has a succession plan for the Executive Director, which was recently evaluated by Watson Advisory and found to be comprehensive, although recommendations for improvement were also provided [25].</li> <li>— Council members interviewed want to make sure that the composition of the Selection Committee did not bias the selection process.</li> <li>— The process outlined in the plan has the Selection Committee bringing only one candidate forward for endorsement by Council. Some Council members interviewed perceive this may be a "rubber stamping" exercise [24].</li> <li>— A Succession Planning Committee was recently established in March 2019 [14].</li> </ul>	<p>Partially meets</p> 
3.6	<p><b>Performance management of Executive Director</b></p> <p>Review and evaluation of the Council's approach to establishing, monitoring and evaluation the Executive Director's performance</p>	Council follows a structured performance management process to monitor and evaluate the Executive Director's performance	<p>Council does not follow a structured performance management process to monitor and evaluate the Executive Director's performance:</p> <ul style="list-style-type: none"> <li>— No evaluation was conducted in 2018.</li> <li>— Evaluations are not kept within Council's corporate records, as such there is no evidence to suggest that a structured process exists.</li> </ul>	<p>Does not meet</p> 

**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*



Ref	Review Item	Criteria	Observations	Rating
			— We reviewed the forms used to solicit input on the Executive Director's performance, and noted that it was up to the Chair to define the process to evaluate the Executive Director's performance.	
3.7	<b>Risk management</b> Review and evaluation of the Council's approach and oversight of risk management	Council employs a structured approach to managing and monitoring risk that is consistent with general practice amongst non-profit corporations	Council does not have a risk management policy or procedure in place. Council has identified this as an area for future development.	Does not meet 
4.	<b>Power and Authorities</b>			
4.1	<b>Power of the Chair</b> Review and evaluation of the appropriateness of powers of the Chair, including: (a) the powers exercised in between Council meetings, and (b) the power to appoint and remove committee chairs	Chair exercises their authority in line with the role and responsibilities assigned to it under applicable legislation, regulation and corporate bylaws	<p>There were no responsibilities of the Chair noted that ran contrary to general practice. However, it was noted that:</p> <p>— There were significant outstanding matters following the January 2019 Council meeting (e.g., election of Chair Elect, election of Committee Chairs, and appointment of Committee members) [53]. The Chair has attempted unsuccessfully to conduct votes by email to appoint committee chairs [14]. A meeting has not been scheduled before the next quarterly meeting in April to address these outstanding matters. By the April 2019 meeting, RECA will be seven months into its fiscal year.</p> <p>— The Chair position at RECA has distinct authorities [61]. However, some interviewees perceive that the Chair does not have any authority beyond that which is explicitly granted by Council. For example, the Chair has responsibility for corresponding with stakeholders. Some Council members perceive</p>	Partially meets 





Service Alberta  
 ADVICE TO MINISTER  
 Governance Review of the Real Estate Council of Alberta

Ref	Review Item	Criteria	Observations	Rating
			<p>that Council should approve the Chair's external correspondence [62].</p> <ul style="list-style-type: none"> <li>Concerns were raised by some Council members about a perceived lack of transparency in the agenda setting process, and an unclear understanding of the Chair's authorities, such as seeking external counsel.</li> <li>The bylaw to appoint Committee Chairs was modified in January 2019 [53]. Committee Chairs are now voted. It is unclear if Committee Chairs will now also be removed by a vote of Council.</li> </ul>	
4.2	<b>Delegation of authority</b> Review and evaluation of appropriateness of authorities delegated by the Council to the Executive Director and the robustness and clarity of policies to support such delegation, including what decisions of the Executive Director require the approval of the Council	Council accountabilities delegated to the Executive Director are appropriate and in accordance with applicable legislation, regulations and corporate bylaws	<p>Council has approved policies related to the delegation of authority that are summarized in RECA's Authority Matrix [61]. The delegation of authorities to the Executive Director directly relate to the Executive Director's roles and responsibilities, and are consistent with common practices [63, pp. 51-52].</p> <p>The Executive Director also has authorities that are granted directly by the Act [2].</p>	Generally meets 
<b>5. Relationships</b>				
5.1	<b>Relationship between Council and staff</b> Review and evaluation of the relationship between Council members and RECA staff, including the Executive Director	Council has a constructive and respectful relationship with staff. Council and staff respect the roles and authorities of each other	<p>Council, as a whole, does not have a constructive relationship with senior staff of RECA, including the Executive Director:</p> <ul style="list-style-type: none"> <li>There are complaints and allegations between Council members and staff members (see also 1.3).</li> </ul>	Does not meet 




**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

Ref	Review Item	Criteria	Observations	Rating
			<ul style="list-style-type: none"> <li>Many staff and Council members interviewed cited poor relations between some members of Council and staff.</li> </ul>	
5.2	<b>Relationship between RECA, industry associations and other key stakeholders</b> Review and evaluation of RECA's relationship with the Alberta Real Estate Association, Alberta Mortgage Brokers' Association, and other key stakeholders, as appropriate and to extent possible	RECA has a constructive and respectful relationship with stakeholders	RECA does not have a constructive relationship with its stakeholders: <ul style="list-style-type: none"> <li>Interviewees from Council, staff and AREA cited significant tension between RECA and AREA, in particular, around matters pertaining to education standards and the delivery of education, the Residential Measurement Standards, the delegations of authority within RECA and communication between RECA's Council and Administration.</li> <li>AREA has obtained legal opinions on aspects of RECA's authority and operations (e.g., regarding education standards and the delegation of authorities) [64] [65].</li> <li>In July 2018 AREA submitted allegations of wrong-doing against RECA to the Minister [66].</li> <li>Council members and interviewed staff cited generally positive relationships with the Appraisers Institute of Canada (AIC) and AMBA. Representatives from AIC and AMBA, however, claimed poor relationships with RECA, citing a lack of transparency around decisions and a perceived overstepping of bounds with respect to education.</li> </ul>	Does not meet 
5.3	<b>Stakeholder engagement</b> Review and evaluation of RECA's approach and strategies for stakeholder engagement	Council employs effective stakeholder engagement strategies that identifies relevant stakeholders and appropriate stakeholder engagement mechanisms	While RECA has a stakeholder engagement policy in place [67], and uses advisory committees [11, p. 6], comments from interviews suggest that primary stakeholders do not feel they receive meaningful engagement and that RECA does not operate in a transparent way.	Partially meets 


**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*

Ref	Review Item	Criteria	Observations	Rating
			RECA claims to be successful at engaging the public through social media, advice columns, and trade shows.	
5.4	<b>Performance reporting to stakeholders</b> Review and evaluation of the Council's strategies for informing and demonstrating to its stakeholder that it is providing effective governance as an effective regulator	Council provides relevant, complete, timely and accurate reporting to stakeholders on its effective governance and its effectiveness as a regulator	RECA publishes statistics on its activities as a regulator in its annual report [11, pp. 17-19], however it does not use a performance management framework to demonstrate its effectiveness.	Partially meets 
<b>6. Council Operations and Functioning</b>				
6.1	<b>Council member orientation and development</b> Review and evaluation of RECA's processes and strategies for orienting and ongoing governance development of Council members	Council conducts periodic governance training and development with all members	RECA delivers an orientation to new Council members and provides significant, ongoing development opportunities: <ul style="list-style-type: none"> <li>— Council members have an annual training and development budget of \$10,000. RECA's professional development policy for Council members encourages them to take courses in governance and administrative law [68].</li> <li>— One current Council member has his ICD.D designation and two others are currently pursuing it [69].</li> <li>— Last fiscal year, RECA spent in excess of \$230,000 on Council member training and governance consultants [70].</li> </ul>	Generally meets 




**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

Ref	Review Item	Criteria	Observations	Rating
6.2	<b>Council member behavior</b> Review and evaluation of the behavior of Council members including: (a) their ability to communicate effectively and constructively, and (b) their willingness and history of working cooperatively and in good faith with a view to the best interest of RECA and the protection of the public	Council members communicate constructively and respectfully with other members, staff and stakeholders	Council does not work effectively and constructively, this is evidenced by: <ul style="list-style-type: none"> <li>— All Council members and staff characterized Council as being challenged by interpersonal dynamics.</li> <li>— Council work is conducted in the shadow of numerous complaints and allegations (see Ref. 1.3).</li> </ul>	Does not meet 
6.3	<b>Overall functioning of Council</b> Review and evaluation of the overall functioning of the Council	Summative evaluation based on assessment in all areas of investigation	The nature and degree of discord within Council, between Council and Administration, and Council and stakeholders appears to be negatively affecting Council's ability to effectively govern RECA and regulate the industry. Council appears to spend a disproportionate amount of its effort on matters arising from these negative relationships. Council has not been able to elect a full slate of officers, establish committees, or implement governance recommendations, such as implementing a risk management framework. As well, several Council members expressed concern that Council is not focusing on strategic and emerging regulatory issues.	Does not meet 
6.4	<b>Frequency of Council meetings</b> Review and evaluation of the appropriateness of the frequency of Council meetings	Council meetings and committee meetings are adequate to address the responsibilities of Council and are comparable to common practice amongst non-profit corporations	Quarterly meetings of Council take place and are appropriate to conduct the normal business of Council. However, over the past year, Council has been challenged to complete its business within these meetings: <ul style="list-style-type: none"> <li>— Quarterly meetings (not including planning meetings or annual general meetings) are in</li> </ul>	Partially meets 

**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*




Ref	Review Item	Criteria	Observations	Rating
			<p>line with many other large, non-profit associations [29, p. 52].</p> <ul style="list-style-type: none"> <li>— Quarterly meetings used to be sufficient to conduct Council business.</li> <li>— Over the past year, Council has held 4 special meetings.</li> <li>— Regular meetings run 8 hours on average, which is considered by Council interviewees to be too long, and longer than they used to be.</li> <li>— Governance and administrative-related issues have dominated recent Council meetings, accounting for approximately 80% of Council's motions over the past three years.</li> <li>— Council members express frustration that there is limited time to address all agenda items.</li> <li>— There does not appear to be any restriction in the <i>Act</i> or RECA's bylaws preventing Council from scheduling additional meetings as required.</li> </ul>	
6.5	<p><b>Conduct of Council meetings</b></p> <p>Review and evaluation of the conduct of Council meetings, both regular and extraordinary, including notice to Council members, attendance of Council members and purpose of staff attendance at meetings</p>	<p>Notice for Council meetings is adequate; staff are called to meetings only as required</p>	<p>There were no significant observations on the scheduling of and notice for Council meetings. Council members generally believe staff presentations at meetings to be appropriate. However:</p> <ul style="list-style-type: none"> <li>— Some Council members would like more notice in the scheduling of special meetings, although Council-approved bylaws stipulate only 24 hours' notice is required.</li> <li>— Some Council members are unclear about the role of the Corporate Secretary in supporting the Chair at meetings.</li> </ul>	<p>Generally meets</p> 

**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**


Ref	Review Item	Criteria	Observations	Rating
6.6	<b>Council meeting preparation</b> Review and evaluation of the process and procedures used to prepare for Council meetings, and approve Council documents and materials	Required meeting materials are submitted to Council are timely and adequate for Council to make required decisions	<p>Generally, Council is satisfied with the timeliness and adequacy of most materials. It was observed that:</p> <ul style="list-style-type: none"> <li>— Most information is provided by the deadline of 10 days prior to a meeting.</li> <li>— Council recently changed its meeting packages to provide more information.</li> <li>— Board members are unable to print documents from the BoardVantage site, which impacts their ability to review some documents, e.g. financial information.</li> </ul>	<p>Generally meets</p> 
6.7	<b>Committee structures</b> Review and evaluation of the establishment and use of committee structures, review of terms of reference, and appointment/removal of Chair and members to/from committees	Council uses committees effectively to support its operations; committees have clear terms of reference, and members are appointed in a manner that is transparent and appropriate for the mandate of the committee	<p>Council has not elected or appointed Committee Chairs or established Committee members for this fiscal year. Committees have not met this fiscal year. In addition:</p> <ul style="list-style-type: none"> <li>— Committees' Terms of Reference may need to be updated to reflect the change in the process to establish the Committee Chair.</li> <li>— It is unclear how Committee Chairs may be removed following a recent bylaw change in January 2019 requiring that Committee Chairs be appointed by a majority vote of Council.</li> </ul>	<p>Does not meet</p> 
6.8	<b>Council dispute resolution</b> Review and evaluation of the Council's bylaws, policies and procedures and the role of the Chair in relation to conflict management within the Council, and addressing behavioural and disciplinary issues related to Council members	Council has a clearly-defined dispute resolution process, and a means to discipline or remove members from Council with justification	<p>Council does not have a dispute resolution process in place to address behavioural and disciplinary issues related to Council members. Council cannot remove members that it deems to have contravened its Code of Conduct, or Section 9 of the <i>Act</i> (Prohibitions) without a court order [2, pp 13-14]:</p> <ul style="list-style-type: none"> <li>— The <i>Act</i> allows for a Council member to resign.</li> <li>— Removal requires making an originating application to a court.</li> </ul>	<p>Does not meet</p> 



**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*

Ref	Review Item	Criteria	Observations	Rating
			— Bylaws enable the removal of Council members that are frequently absent from meetings	
<b>7. Council Evaluation and Competence</b>				
7.1	<b>Evaluation of Council and member effectiveness</b> Review and evaluation of the processes for evaluating the effectiveness and competency of the Council and individual Council members	Council has a process and has assigned responsibilities to monitor its performance and that of individual members consistent with standard practice amongst non-profit corporations	Council does not has a process in place to evaluate the effectiveness and competency of Council and individual members. Council recognizes this as an area for improvement.	Does not meet 
<b>8. Accountability and Oversight</b>				
8.1	<b>Oversight of operations</b> Review and evaluation of the Council's processes and strategies for ensuring appropriate oversight of operations to achieve its legislated mandate, strategic plans, and organizational priorities	Council has systems in place to ensure the corporation fulfill its legislated mandate, and meet its strategic priorities	Council has a strategic plan and supporting business plan with action items [34] [33]. Progress on the action items is reported at each quarterly Council meeting [35]. Council also receives a quarterly dashboard on key operational statistics relevant to its legislated mandate [36]. Council did not raise any significant concerns about RECA's fulfillment of its legislated mandate. However, Council does not use a performance management framework to track achievement of its intended outcomes.	Generally meets 
8.2	<b>Council accountability to Government</b> Review and evaluation of the appropriateness and effectiveness of the Council's and RECA's accountability and reporting requirements to the Government of Alberta	Council provides relevant, complete, timely and accurate reporting to the Government of Alberta on the fulfillment of its mandate	Council provides an annual report to the Minister in accordance with Section 16 of the Act [71]. Notwithstanding Council submitted its 2017/18 annual report to the Minister a few days past the filing deadline, Service Alberta has not identified any concerns regarding the relevance, completeness, timeliness, or accuracy with Council's annual filings [72]. However, Service	Partially meets 

**Service Alberta**  
**ADVICE TO MINISTER**  
*Governance Review of the Real Estate Council of Alberta*

Ref	Review Item	Criteria	Observations	Rating
	to provide assurance that the mandate is being achieved		Alberta identified that the annual report from Council did not provide an indication of the challenges Council is experiencing. In addition, RECA's annual report to the Minister does not use a performance management framework to demonstrate its effectiveness.	
<b>9. Other Governance Areas</b>				
9.1	<b>Oversight of financial operations</b>	Council approves a budget annually, expenditures are tracked against the budget, an approval process exists for non-budgeted exists and is followed, an auditor is appointed and financial statements are approved.	<p>Council approves a budget, appoints an auditor and has a process for approving non-budgeted amounts [37] [73] [74]. The Finance and Audit Committee reviews quarterly financial reports [75]. However:</p> <ul style="list-style-type: none"> <li>— The approved budget is presented at a detailed level as well as in different levels of aggregation. It is not clear what level of detail is being used as Administration's spending authority [31].</li> <li>— It is not clear how the approved 2018 budget aligns with the quarterly or the year-end financial statements. This makes it difficult to determine performance against the approved budget [31] [76].</li> <li>— The year-end financial report to Council did not include a budget variance analysis. Instead, Administration's Management Discussion and Analysis of the 2018 financial results compared the 2018 results to prior year [77].</li> <li>— Several Council members report that they were unclear how legal expenses appeared to exceed the approved budget by over \$100,000 without Council's approval as per RECA's Policy 7.9 [37].</li> </ul>	<p>Partially meets</p> 

## Appendix 1 Ministerial Order and Terms of Reference



MINISTERIAL ORDER NO. SA-001/2019

Pursuant to Section 76(1) of the *Real Estate Act*, I, Brian Malkinson, Minister of Service Alberta, hereby appoint Tim Swanson of KPMG LLP to conduct a review into the governance of the Real Estate Council of Alberta.

The Terms of Reference of this review are attached as Schedule A.

Dated at Edmonton, Alberta, this 18 day of Jan, 2019.

  
Honourable Brian Malkinson  
Minister of Service Alberta

Schedule A to Ministerial Order NO. SA: 001/2019

Terms of Reference

The scope of the review shall include a full review and evaluation of the governance of the Real Estate Council of Alberta (RECA) and ensure RECA's adherence to good governance practices, as well as its effectiveness as the regulator for the real estate sector.

*Note: "Council" means the governing Council of the Real Estate Council of Alberta.  
"The Act" means the Real Estate Act.*

The review shall include, but is not limited to, the following:

**1. Overall Governance**

- Review and evaluation of the current model for governance used by the Council;
- review of policies, systems, structures and strategic/operational tools and strategies to support effective governance;
- review and evaluation of the governance dynamics and challenges faced by the Council, including the functioning of Council and interactions between Council members; and
- review and evaluation of the Council's effectiveness in leading the organization as the regulator for the real estate sector.

**2. Composition and Appointment**

- Review and evaluation of the composition of the Council, including that it sufficiently and appropriately reflects the public and consumer interests;
- review and evaluation of adherence to processes set out in bylaw or policy to guide or determine appointments made in accordance with the Act;
- review and evaluation of the influence of appointing persons or bodies on their appointees after the appointment has been made;
- review and evaluation of the Council members' understanding regarding the requirements for appointments made under s.6(1)(e) and (f) of the Real Estate Act;
- review and evaluation of the processes and terms of appointment, renewal/reappointment, and eligibility requirements;
- review and evaluation of bylaws and policies to elect members of the Council to serve as officers of the corporation, including adherence to these bylaws and policies; and
- review and evaluation of the terms that the Chair and other officers are appointed to serve, and whether the terms and processes support longer-term and stable leadership.

**3. Roles and Responsibilities**

- Review and evaluation of the Council's understanding of their roles and fiduciary responsibilities, including their obligation to act in the best interests of RECA;

- review and evaluation of the Council members' understanding that RECA's mandate is the protection of the public, including the protection of consumers;
- review and evaluation of the exercise of the roles, responsibilities, and mandate of the Council;
- review and evaluation of the Council's processes to establish bylaws and policies to govern RECA, operations and regulatory responsibilities of the organization;
- review and evaluation of the Council's strategy for Executive Director succession planning, including recruitment and appointment;
- review and evaluation of the Council's approach to establishing, monitoring and evaluating the Executive Director's performance; and
- review and evaluation of the Council's approach and oversight of risk management.

#### **4. Powers and Authorities**

- Review and evaluation of the appropriateness of powers of the Chair, including:
  - (a) the powers exercised in between Council meetings, and
  - (b) the power to appoint and remove committee chairs; and
- review and evaluation of appropriateness of authorities delegated by the Council to the Executive Director and the robustness and clarity of policies to support such delegation, including what decisions of the Executive Director require the approval of the Council.

#### **5. Relationships**

- Review and evaluation of the relationship between Council members and RECA staff, including the Executive Director;
- review and evaluation of RECA's relationship with the Alberta Real Estate Association, Alberta Mortgage Brokers' Association, and other key stakeholders, as appropriate and to extent possible;
- review and evaluation of RECA's approach and strategies for stakeholder engagement; and
- review and evaluation of the Council's strategies for informing and demonstrating to its stakeholders that it is providing effective governance as an effective regulator.

#### **6. Council Operation and Functioning**

- Review and evaluation of RECA's processes and strategies for orienting and ongoing governance development of Council members;
- review and evaluation of the behaviour of Council members including:
  - (a) their ability to communicate effectively and constructively, and
  - (b) their willingness and history of working cooperatively and in good faith with a view to the best interests of RECA and the protection of the public;
- review and evaluation of the overall functioning of the Council;
- review and evaluation of the appropriateness of the frequency of Council meetings;

- review and evaluation of the conduct of Council meetings, both regular and extraordinary, including notice to Council members, attendance of Council members and purpose of staff attendance at meetings;
- review and evaluation of the process and procedures used to prepare for Council meetings, and approve Council documents and materials;
- review and evaluation of the establishment and use of committee structures, review of terms of reference, and appointment/removal of Chair and members to/from committees; and
- review and evaluation of the Council's bylaws, policies and procedures and the role of the Chair in relation to conflict management within the Council, and addressing behavioural and disciplinary issues related to Council members.

**7. Council Evaluation and Competence**

- Review and evaluation of the process for evaluating the effectiveness and competency of the Council and individual Council members.

**8. Accountability and Oversight**

- Review and evaluation of the Council's processes and strategies for ensuring appropriate oversight of operations to achieve its legislated mandate, strategic plans, and organizational priorities; and
- review and evaluation of the appropriateness and effectiveness of the Council's and RECA's accountability and reporting requirements to the Government of Alberta to provide assurance that the mandate is being achieved.

**9. Other Governance Areas**

- Review and evaluation of any other relevant aspect of the Council or the governance of RECA.



## Appendix 2 Interviewees

### Council

Krista Bolton (past Council member)	Brian Klingspon, Past Chair
Bonny Clarke (past Council member)	Tiago Lage
Bobbi Dawson	Phil McDowell
Amina Deiab	Stan Mills
Ramey Demian	Robyn Moser
JT Dhoot	Rob Telford, Chair
Bill Kirk	Christine Zwozdesky

### RECA

Bob Myroniuk, Executive Director  
Dale Cawsey, Director, Corporate Services (retired)  
Joseph Fernandez, Director, Education Programs  
Jean Flanagan, Director, Strategic Initiatives and External  
Charles Stevenson, Director and Registrar  
Warren Martinson, Director, Corporate Services  
Kirk Bacon, Assistant Executive Director (retired)

### RECA Stakeholders

Alberta Mortgage Brokers Association  
Alberta Real Estate Association  
Appraisal Institute of Canada, National and Provincial  
Building Owners and Managers Association of Edmonton  
Canadian National Association of Real Estate Appraisers

### Comparator Organizations

Alberta Construction Safety Association  
Alberta Utilities Commission  
Association of Professional Engineers & Geoscientists of Alberta  
College of Physicians and Surgeons  
Real Estate Council of Ontario

## **Appendix 3      Citations**

- [1] Real Estate Council of Alberta, "Statement on Self Regulation," Real Estate Council of Alberta, Calgary, Alberta, 2012.
- [2] Province of Alberta, "Real Estate Act," Alberta Queen's Printer, Edmonton, 2015.
- [3] Hansell LLP, "Real Estate Council of Alberta v Robyn Moser: Originating Application," Calgary, Alberta, 2018.
- [4] T. Adams, "Regulating Health Professions in Canada," The University of Western Ontario, London, Ontario, 2019.
- [5] Professional Standards Authority for Health and Social Care, "Fit and Proper? Governance in the Public Interest," Professional Standards Authority for Health and Social Care, London, United Kingdom, 2013.
- [6] E. Richler, "Grey Areas: A Commentary on Legal Issues Affecting Professional Regulation," Steinecke Maciura LeBlanc, Toronto, Ontario, Summer, 2018.
- [7] Q. J. T. Casey, "Best Practices of Professional Organizations Regulating Qualified Professionals," Government of British Columbia, Victoria, British Columbia, 2018.
- [8] Real Estate Council of British Columbia, "Governance," [Online]. Available: <https://www.recbc.ca/about/governance.html>. [Accessed 07 03 2019].
- [9] Organisme d'autoréglementation du courtage immobilier du Québec, "Board of Directors," [Online]. Available: <https://www.oaciq.com/en/pages/board-of-directors>. [Accessed 07 03 2019].
- [10] Province of Alberta, "Alberta Public Agencies Governance Act," Alberta Queen's Printer, Edmonton, Alberta, 2009.
- [11] Real Estate Council of Alberta, "Annual Report 2017-2018," Real Estate Council of Alberta, Calgary, Alberta, 2019.
- [12] Real Estate Council of Alberta, "Bylaws," Real Estate Council of Alberta, Calgary, Alberta, 2018.
- [13] Real Estate Council of Alberta, "Terms of References for Non-Standing Committees," Real Estate Council of Alberta, Calgary, Alberta, 2018.
- [14] R. Telford, *Email to Council: Update of ED Selection Committee and Selection of Committee Chairs*, March 8, 2019.
- [15] L. Atkinson, Interviewee, *General Counsel and Corporate Secretary, Real Estate Council of Ontario*. [Interview]. 27 February 2019.
- [16] J. Bradley, Interviewee, *President, College of Physicians and Surgeons of Alberta*. [Interview]. 25 February 2019.

**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

- [17] S. d'Etremont, Interviewee, *Senior Advisor & Director of Council Relations, The Association of Professional Engineers and Geoscientists of Alberta*. [Interview]. 1 March 2019.
- [18] Service Alberta, "Protecting Consumers Purchasing or Repairing Cars," Government of Alberta, [Online]. Available: <https://www.alberta.ca/release.cfm?xID=5007588CE0837-EA39-0E92-FFED4CC830717FF7>. [Accessed 14 March 2019].
- [19] L. Flynn, Interviewee, *Executive Director, Consumer Services, Service Alberta*. [Interview]. 14 March 2019.
- [20] S. Doran, "CREA vote allows real estate boards to opt out of provincial associations," *REM Real Estate Magazine*, 22 May 2018.
- [21] Social Venture Partners Boulder County, "Succession Planning for the Non-Profit Board Chair," Social Venture Partners Boulder County, Boulder, Colorado, 2012.
- [22] Dalhousie University College of Continuing Education, "By-Laws and Policies: Is there a Difference?," Dalhousie University College of Continuing Education, Halifax, Nova Scotia, 2013.
- [23] Province of Alberta, "Societies Act," Alberta Queen's Printer, Edmonton, Alberta, 2000.
- [24] Real Estate Council of Alberta, "Executive Director Succession Plan," Real Estate Council of Alberta, Calgary, Alberta.
- [25] R. O'Connor, "Review: Executive Director Succession," Watson Advisory, Vancouver, British Columbia, 2019.
- [26] "Confidential Study," 2017.
- [27] Real Estate Council of Alberta, "Council Chair Position Description," Real Estate Council of Alberta, Calgary, Alberta, 2018.
- [28] The Muttart Foundation, "Board Development: Developing Job Descriptions for Board Members of Nonprofit Organizations," The Muttart Foundation, Edmonton, Alberta, 2008.
- [29] BoardSource, "Leading with Intent: 2017 National Index of Nonprofit Board Practices," BoardSource, Washington, DC, 2017.
- [30] The Muttart Foundation, "Board Building: Recruiting and Developing Effective Board Members for Not-for-Profit Organizations," The Muttart Foundation, Edmonton, Alberta, 2008.
- [31] Real Estate Council of Alberta, "Budget 2017-2018," Real Estate Council of Alberta, Calgary, Alberta, 2017.
- [32] C. Davidson, *Board Governance Resource Guide*, Barrie, Ontario: Community Literacy of Ontario, 2014.
- [33] Real Estate Council of Alberta, "Strategic Plan: 2016-2020," Real Estate Council of Alberta, Calgary, Alberta, 2016.

**Service Alberta**

**ADVICE TO MINISTER**

**Governance Review of the Real Estate Council of Alberta**

[34] Real Estate Council of Alberta, "Business Plan 2016-2020," Real Estate Council of Alberta, Calgary, Alberta, 2016.

[35] Real Estate Council of Alberta, "Business Plan 2016-2020: Action Items in Progress," Real Estate Council of Alberta, Calgary, Alberta, 2019.

[36] Real Estate Council of Alberta, "Dashboard Report: 2018/2019 First Quarter," Real Estate Council of Alberta, Calgary, Alberta, 2019.

[37] Real Estate Council of Alberta, Policy Manual, Calgary, Alberta: Real Estate Council of Alberta, 2018.

[38] Real Estate Council of Alberta, "Council Terms of Reference," Real Estate Council of Alberta, Calgary, Alberta, 2018.

[39] Real Estate Council of Alberta, "Finance and Audit Committee Terms of Reference," Real Estate Council of Alberta, Calgary, Alberta, 2018.

[40] Real Estate Council of Alberta, "Governance Committee Terms of Reference," Real Estate Council of Alberta, Calgary, Alberta, 2018.

[41] Agency Governance Secretariat, "Board Evaluation - Group".

[42] Real Estate Council of Alberta, "Hearings Committee Terms of Reference," Real Estate Council of Alberta, Calgary, Alberta, 2018.

[43] The Muttart Foundation, "Organizing your Corporate Documents," 2014.

[44] Government of Alberta, "Public Agencies Governance Framework," 2008.

[45] Real Estate Council of Alberta, "Code of Conduct for Council Members," Real Estate Council of Alberta, Calgary, Alberta, 2017.

[46] I

[47]

[48]

[49]

[50]

[51]

[52] *Verbal Questions*, Calgary, Alberta: Real Estate Council of Alberta Information Session, February 21, 2019.

**Service Alberta**  
**ADVICE TO MINISTER**  
**Governance Review of the Real Estate Council of Alberta**

- [53] Real Estate Council of Alberta, "Council Meeting Minutes," Real Estate Council of Alberta, Calgary, Alberta, January 23, 2019.
- [54] Real Estate Council of Alberta, "Council Meeting Minutes," Real Estate Council of Alberta, Calgary, Alberta, October 17, 2018.
- [55] Real Estate Council of Alberta, "Special Meeting Minutes," Real Estate Council of Alberta, Calgary, Alberta, December 12, 2018.
- [56] L. Flynn, *Summary Notes - RECA Council Meeting, December 13, 2018*, Edmonton, AB: Service Alberta, December 20, 2018.
- [57] Real Estate Council of Alberta, "Council Competency Matrix Tool," Real Estate Council of Alberta, Calgary, Alberta.
- [58] Real Estate Council of Alberta, "Council Members - Terms of Office 2017-2018," Real Estate Council of Alberta, Calgary, Alberta, 2017.
- [59] Real Estate Council of Alberta, "Council Special Meeting Minutes," Real Estate Council of Alberta, Calgary, Alberta, January 4, 2019.
- [60] MNP LLP, "Real Estate Council of Alberta Financial Statements: September 30, 2018," MNP LLP, Calgary, Alberta, 2019.
- [61] Real Estate Council of Alberta, "Authority Matrix," Real Estate Council of Alberta, Calgary, Alberta, 2018.
- [62] B. Kirk, "Briefing Note: Council Correspondence Policy," Real Estate Council of Alberta, Calgary, Alberta, March 20, 2019.
- [63] The Muttart Foundation, "Hiring and Performance Appraisal of the Executive Director," The Muttart Foundation, Edmonton, Alberta, 2008.
- [64] E. B. Mellett, "Opinion re Delegation of Executive Director Powers," Bennett Jones LLP, Calgary, Alberta, March 8, 2017.
- [65] E. B. Mellett, "Opinion re Delegation of Executive Director Powers," Bennett Jones LLP, Calgary, Alberta, March 13, 2017.
- [66]
- [67] Real Estate Council of Alberta, "Stakeholder Engagement Policy," Real Estate Council of Alberta, Calgary, Alberta, 2015.
- [68] B. Myroniuk, "ICD Program," Email, Calgary, Alberta, March 7, 2019.
- [69] R. Hawkins, "RECA Governance Training Material," Email, Calgary, Alberta, March 11, 2019.
- [70] R. Hawkins, "2017-2018 Council Governance Training Costs," Spreadsheet, Calgary, Alberta, March 8, 2019.

**Service Alberta**

**ADVICE TO MINISTER**

***Governance Review of the Real Estate Council of Alberta***

- [71] B. Myroniuk, "Letter to The Honourable Brian Malkinson," Real Estate Council of Alberta, Calgary, Alberta, February 1, 2019.
- [72] L. Flynn, "Draft Preliminary Findings," Email, Edmonton, Alberta, March 6, 2019.
- [73] Real Estate Council of Alberta, "Council Meeting Minutes," Real Estate Council of Alberta, Calgary, Alberta, July 2018.
- [74] Real Estate Council of Alberta, "Council Meeting Minutes," Real Estate Council of Alberta, Calgary, Alberta, January 2018.
- [75] Real Estate Council of Alberta, "Finance and Audit Committee Meeting Minutes," Real Estate Council of Alberta, Calgary, Alberta, 2018.
- [76] Real Estate Council of Alberta, *Operating Fund: Summary of Revenue and Expenses for the Nine Months Ended June 30, 2018*, Calgary, Alberta: Real Estate Council of Alberta, 2018.
- [77] Real Estate Council of Alberta, *Council Operating Fund: Management's Discussion and Analysis for the Year ended September 30, 2018*, Calgary, Alberta: Real Estate Council of Alberta, 2018.

[www.kpmg.ca](http://www.kpmg.ca)

© 2019 KPMG LLP, a Canadian limited liability partnership and a member firm of the network of independent firms affiliated with the KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

This report has been prepared by KPMG LLP ("KPMG") for the Minister of Service Alberta ("Minister") pursuant to the terms of our engagement agreement with the Minister dated January 21, 2019 (the "Engagement Agreement"). This report was prepared in response to the Minister's request for a review of the Real Estate Council of Alberta ("RECA") under Section 76 of the Real Estate Act and the findings presented in the report address specific evaluation criteria agreed to by the Ministry of Service Alberta.

KPMG neither warrants nor represents that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than the Minister or for any purpose other than set out in Section 76 of the Real Estate Act. This report may not be relied upon by any person or entity other than the Minister, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than the Minister in connection with their use of this report.

The procedures we carried out in performing the work that forms the basis of this report were not such as to constitute an audit. As such, the content of this report should not be considered as providing the same level of assurance as an audit. Our procedures consisted solely of inquiry, observation, comparison and analysis of information provided by the Ministry, RECA and other stakeholders. We relied on the completeness and accuracy of the information provided. Such work does not constitute an audit. Accordingly, we express no opinion on financial results, internal controls or other information.



