

Case Study 3: Executive Compensation and Public Accountability in a Publicly Funded Organization

Background

You are the CFO of a government-funded organization providing services across the province. Your organization receives substantial public funding and is expected to maintain transparency, fairness, and ethical accountability in all financial matters. Over the past several quarters, financial reports have shown increased administrative costs, which are difficult to reconcile with operational needs.

Upon investigation, you discover that multiple senior executives, including the CEO, have been receiving excessive compensation—some through private consulting contracts that were never disclosed to the board or funding authorities. The executive compensation structure appears to bypass oversight and lacks alignment with public sector compensation frameworks.

You also uncover questionable procurement practices, such as the purchase of luxury items unrelated to the healthcare services, and travel expenses that appear personal in nature. No whistleblower complaints have been filed, but rumours about lavish spending have circulated internally.

As CFO, you are faced with escalating ethical concerns that go beyond financial irregularities—they involve governance, public trust, and political accountability.

The Situation Escalates

You raise the issue of executive compensation and procurement with your CEO and board, but you are met with defensiveness and vague justifications. At the same time, investigative journalists begin publishing leaked documents showing inflated salaries, luxury purchases, and insider contracts.

Public outrage grows. Government ministers demand answers. A full audit is ordered, and you are interviewed as a key witness. The CEO eventually resigns, but pressure mounts on all senior leadership - especially those perceived to have enabled or ignored the conduct.

As CFO, you must decide how transparent to be with the media, government, and internal staff - while protecting your credibility and the future of the organization.

Group Discussion Questions

1. What steps should a CFO take when they encounter executive compensation and expense red flags?
2. How can a CFO create accountability in an organization where the CEO holds the most power?
3. What protocols should be in place to safeguard public funds from internal misuse?
4. How do you respond to media scrutiny or government inquiries once an issue surfaces?
5. Should the CFO report directly to the board or ministry when internal checks are bypassed?
6. Have you encountered a similar situation to this?