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# *Turning Risk Into Opportunity*

AFOA Saskatchewan  
Conference

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## ***Learning objectives***

*Today's session will focus on how risk management supports strategic decision making processes, financial management, control practices and daily operating procedures.*

- Gain an understanding of **concepts/tools** used to **effectively manage risks**.
- Learn about how addressing uncertainty can **create value for your community**.



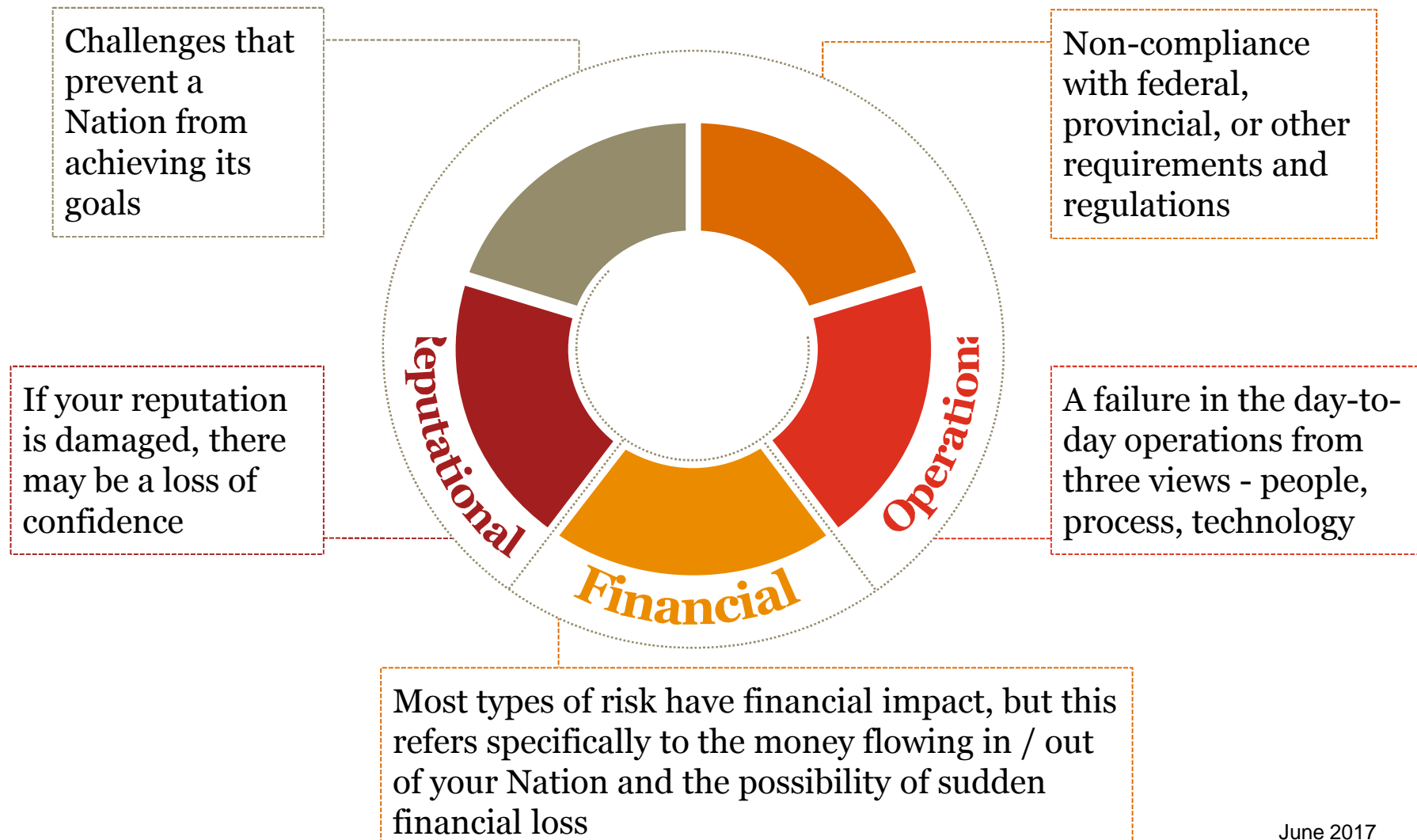
## *What is risk?*

**Definition:** an event or a circumstance and the potential consequences that may result. The impact can be positive or negative.

- This downside of risk results in negative consequences.
- These negative consequences may prevent you from achieving your strategic or other objectives.
- This is why preparation is important.
- Anticipate what can go wrong, prepare a response for the situation and minimize the impact.



# *Different types of risks*



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## ***Examples of risks***



### **Not recording our Nations history**

- Will future generations have a record of your Nation's stories and language?



### **Lack of succession planning**

- Who will replace key roles?



### **Inadequate infrastructure / maintenance**

- When will buildings need to be replaced?



### **Financial risk**

- What happens if funding is discontinued?



### **Economic development activities not linked to culture**

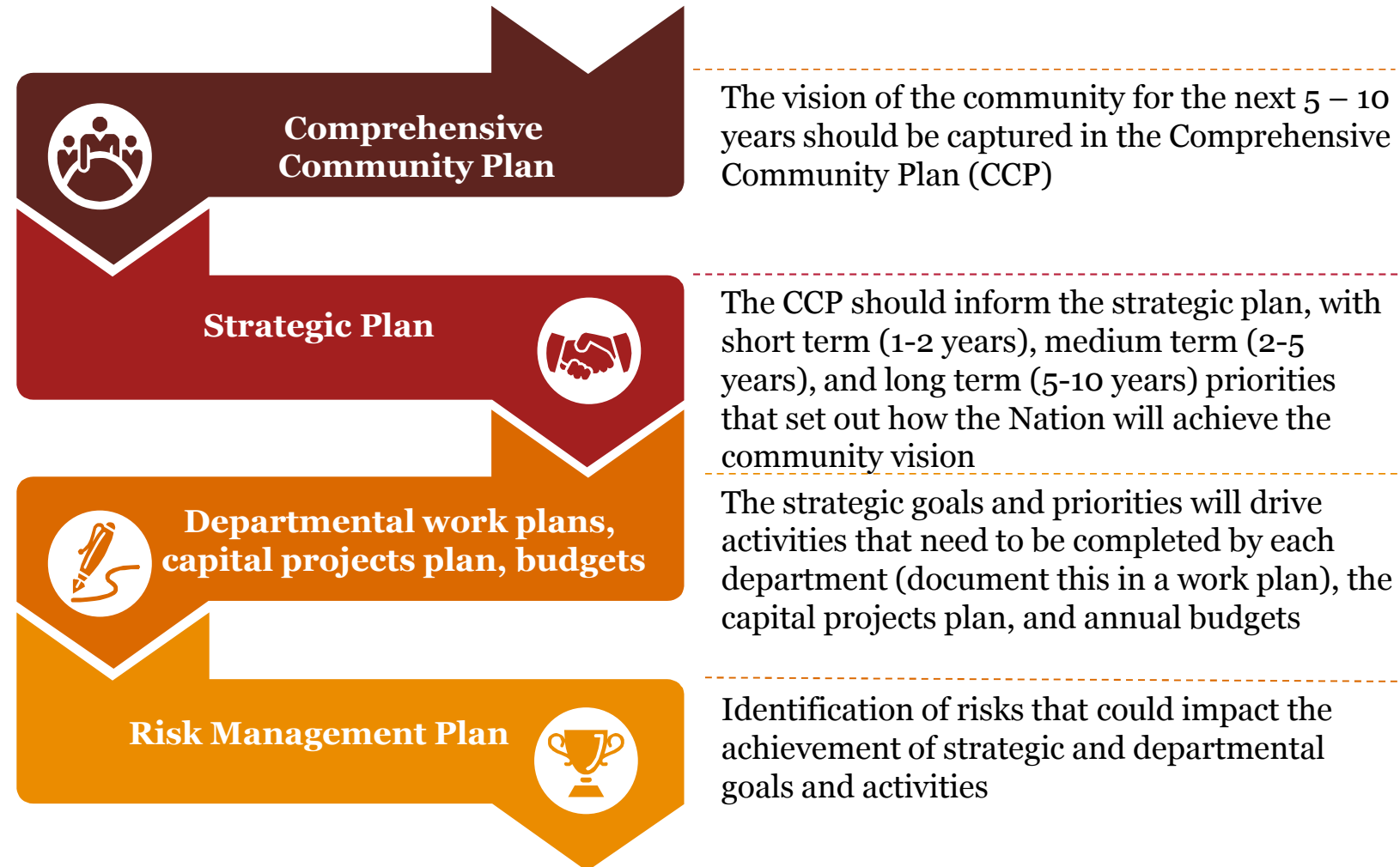
- Will the community support investments?

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## ***Why is risk important?***

- It is important to plan for events before they happen to give you the best chance of achieving your objectives.
- By managing risks, it can mean:
  - ✓ Saving valuable resources – time, money, assets
  - ✓ More informed decision-making
  - ✓ Improved focus and better chance of achieving strategic objectives

# How risk fits with strategy



**Effective risk management is the process of increasing the chance your First Nation achieves its vision and delivers on strategic priorities / goals**

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# *What is risk management?*

## **Definition:**

**General description:** good business practice, management of quality, enhances opportunities for continuous improvement.

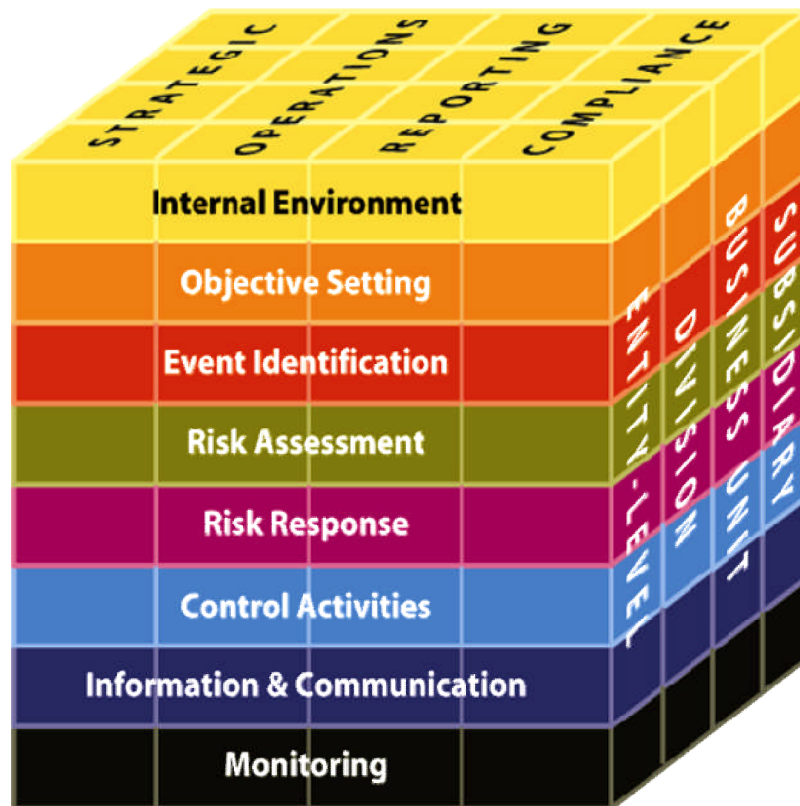
## **Enterprise Risk Management is:**

- Structured, Consistent and a Continuous process across the entire First Nation which helps to:
  - Identify, assess and respond → ADVERSE RISKS
  - Seize opportunities related to achievement of objectives

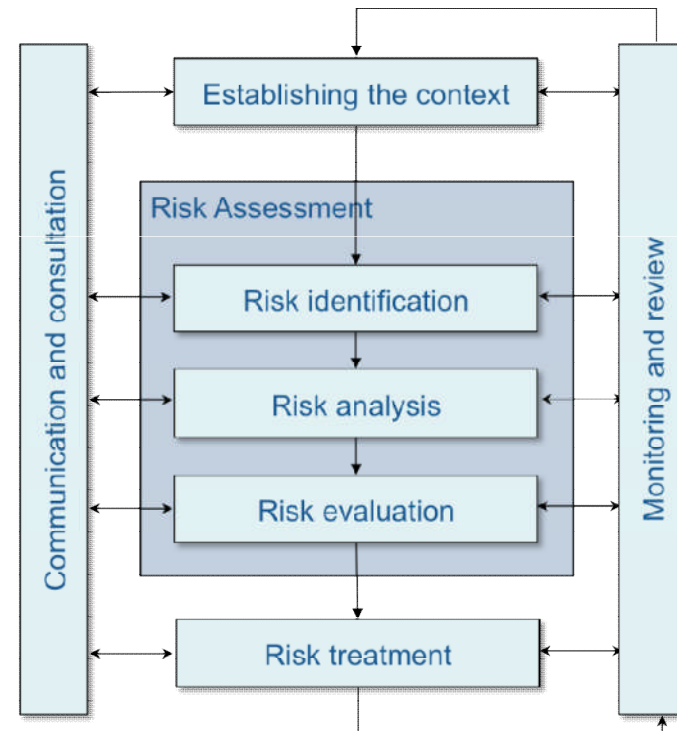


# Risk management frameworks

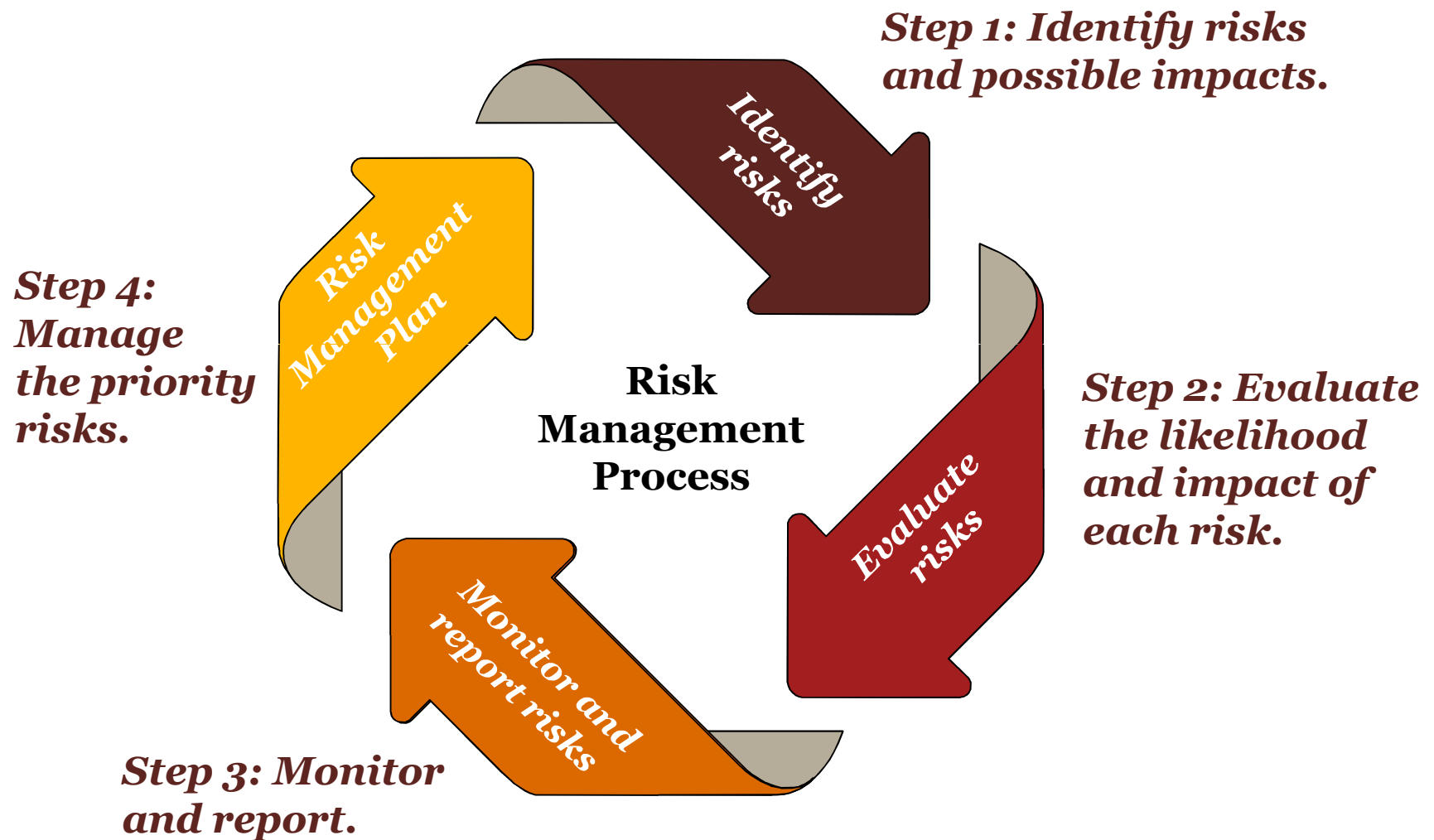
COSO ERM framework



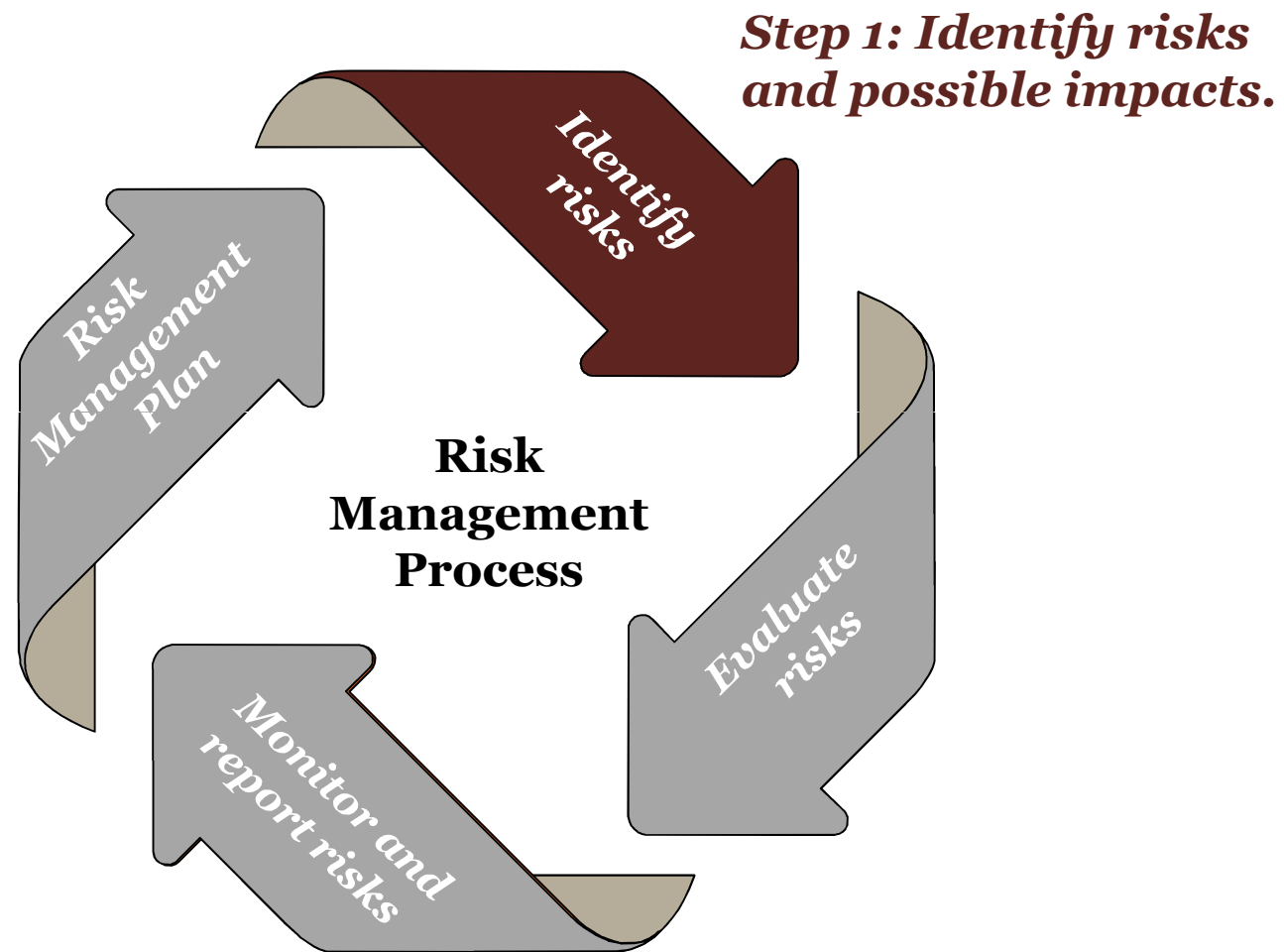
ISO 31000



# ***Risk management process***



## ***Step 1 – Identify risks***



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## ***Step 1 – Identify risks***

We can look at risk three different ways:

- **Option 1** - What is the risk? (i.e., what keeps you up at night?)
- **Option 2** - What are the risks related to the Nation by category? (i.e., governance, environment, economic development, culture & language, infrastructure, human & social services)
- **Option 3** - What are the risks to achieving the Nation's strategic goals and priorities?

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***Step 1 – Identify risks***  
***Risk categories***



## ***Step 1 – Identify risks***

<b>Event</b>	<b>Impact</b>
Not linking cultural values to economic development opportunities	Lack of community support for investments and inability to generate own source revenues
Lack of succession plans	Staff retention declines, loss of organizational knowledge
Staff are unaware and/or in non-compliance with Financial policies and procedures	Incorrect information is input into the financial system, improper use of financial management tools, increase in risk of fraud, loss of money, compromised transparency and accountability with members

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## ***Step 2 – Evaluate risks***



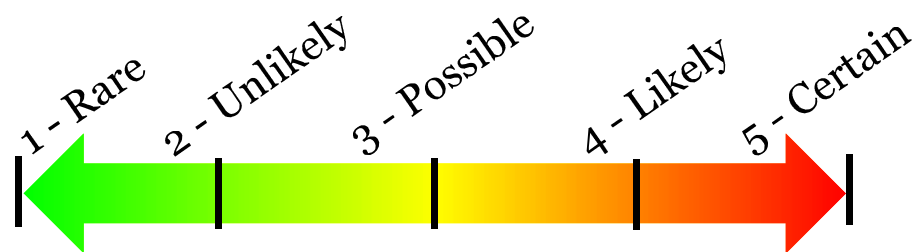
***Step 2: Evaluate the likelihood and impact of each risk.***

## Step 2 – Evaluate risks

When evaluating the severity of risks it is helpful to ask two questions:

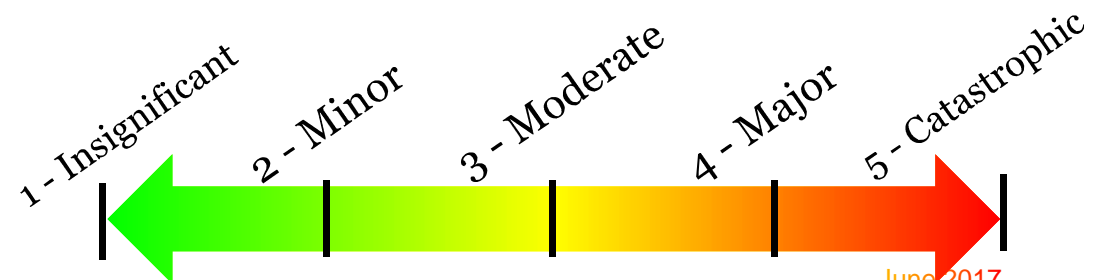
*What is the chance of the event occurring?*

### LIKELIHOOD



*If the event occurred, how much impact would it have?*

### IMPACT (SIGNIFICANCE)



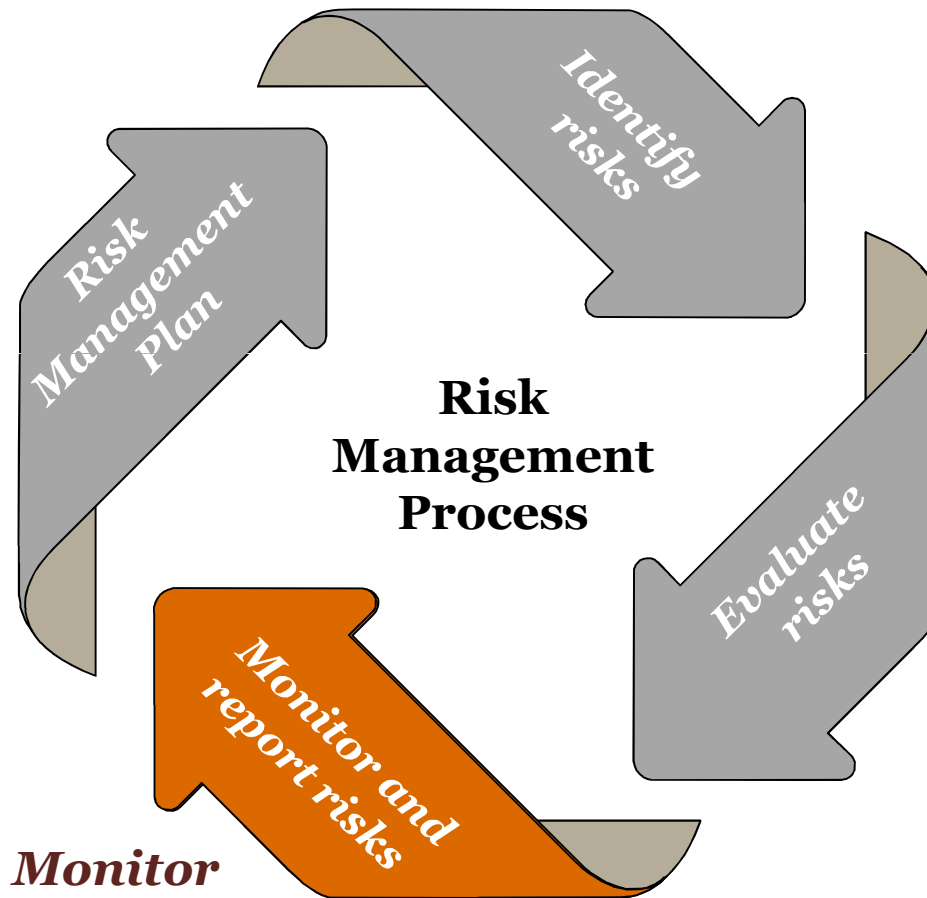


## ***Step 2 – Evaluate risks***

<b>Event</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Impact</b>
Not linking cultural values to economic development opportunities	Lack of community support for investments and inability to generate own source revenues	2	5
Lack of succession plans	Staff retention declines, loss of organizational knowledge	5	3
Staff are unaware and/or in non-compliance with Financial policies and procedures	Improper use of financial management tools, increase in risk of fraud, loss of money	3	4

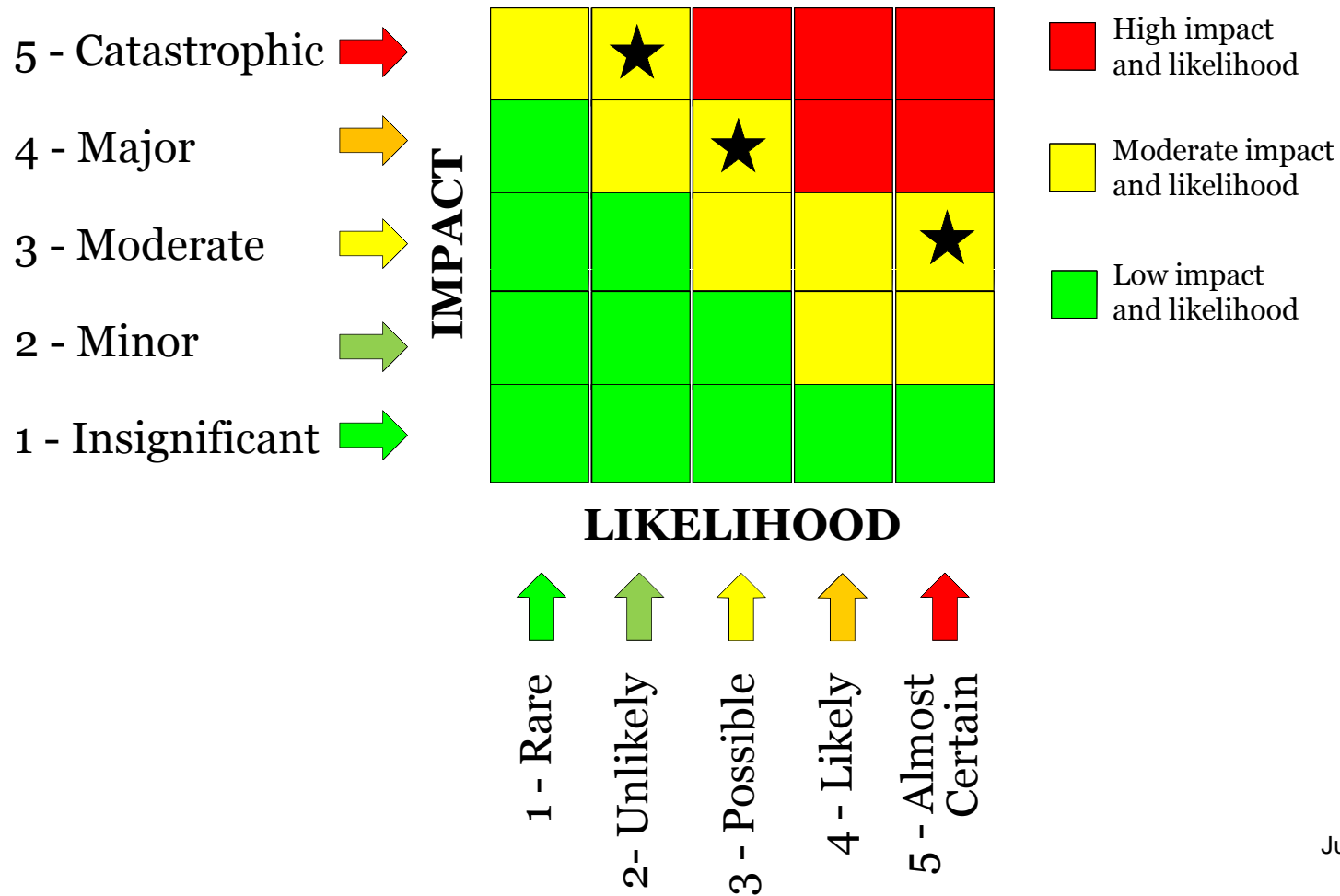
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## ***Step 3 – Monitor and report risks***



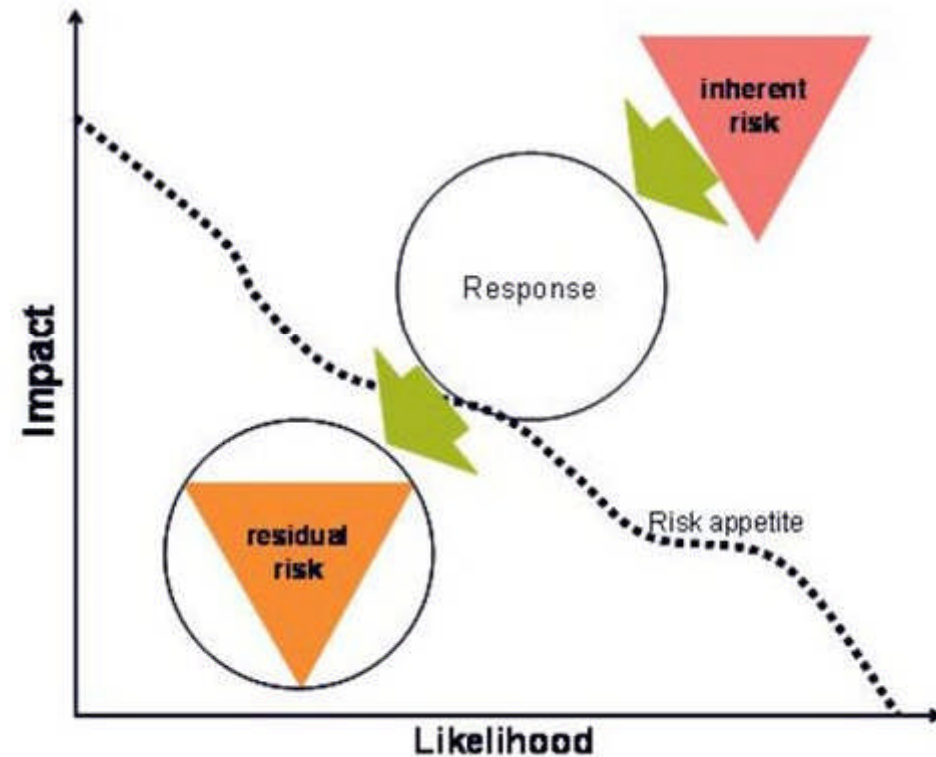
***Step 3: Monitor and report.***

## Step 3 – Monitor and report risks



## ***Step 3 – Monitor and report risks***

- **Risk appetite** – level of uncertainty your Nation is will to accept, given the corresponding benefit of the risk (more of an attitude or statement).
- **Risk tolerance** – amount (quantitative) your Nation is willing to put at risk and/or able to bear during a risk event.
- **Risk target** - optimal residual risk level. This is specific to each risk and is quantitative.



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## ***Step 4 – Manage the risks***

***Step 4:  
Manage  
the priority  
risks.***



## ***Step 4 – Manage the risks***

*Risk management strategies involve:*



## ***Step 4 – Manage the risks***

Identify mitigating actions (“action plans”) for the prioritized risks (high / medium)

<b>Define risks</b>		<b>Evaluate risks</b>		<b>Monitor and manage</b>
<b>Event</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action Plan</b>
Lack of succession plans	Staff retention declines, loss of organizational knowledge	5	3	Develop plan for turnover of employees and building knowledge within the organization
Staff are unaware and/or in non-compliance with Financial policies and procedures	Improper use of financial management tools, increase in risk of fraud, loss of money	3	4	Provide training to employees, communicate policies and consequences for non-compliance

# Roles and responsibilities





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## ***Keys to success***

- Obtain Chief and Council buy-in / active support
- Develop realistic plans, aligned to immediate needs
  - Try not to do too much too fast
- Establish good communication with key stakeholders
  - They will become your biggest supporters
- Define accountabilities and authority for the plan and key activities
- Maintain availability of adequate and skilled resources
- Actively seek quick wins

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# *Questions*



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# *Thank you*

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