

Cases for Class Discussion

Risk Management Module

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Assignment for Each Case

Each group will be assigned one case. While you should respond to the specific question(s) in the case, you also need to discuss among yourselves the risk profile of the organizations – what are the inherent and episodic risks you derive from the information presented?

Class Case Scenario #1: Cash and Bears and Mosquitos

Ontario Parks is a branch of the provincial government responsible for the entire provincial park system as well as conservation reserves and designated wilderness areas. There are 335 regulated provincial parks and 295 regulated conservation reserves. The legislated mandates of Ontario are quite broad:

1. To permanently protect ecosystems, biodiversity and heritage,
2. To provide sustainable outdoor recreation opportunities and encourage associated economic benefits,
3. To increase residents' knowledge of nature and heritage, and
4. To facilitate research.

Ontario Parks derives only a portion of its funding from budgeted appropriations and, as such, is highly dependent on the revenue it earns to meet its operational requirements. As such it charges user fees for many of its services, with the objective of making enough money to cover operating and capital costs. This means that it has to maintain its camper occupancy rate at close to 88% for the entire system during the short camping year. It also collects entrance fees for day-use of its facilities, beaches and trails. It also charges fees for specialized services such as canoe rentals, bicycles, firewood and certain interpretive programs.

Being an income dependent agency means that it runs several financial risks which are affected by a range of risks and which in themselves can create risks. Identify what the range of risks are, moving from the strategic to the operational. Taking into account the legislative mandate, identify how some risks may be in conflict.

Class Case Scenario #2: Supporting Business Around the World

Export Development Canada (EDC) supports the growth of international business by Canadian companies through business loans and the provision of expert advice to these companies as they try to expand their sales. As such, it works with firms as they develop their business plans for expansion. They also provide loans and lines of

credit for the firms as they carry out their expansion activities. In order to develop and approve its commitment to the company, EDC undertakes lengthy investigations into the firm and its potential. It pays particular attention to the target market and the actual impact the financial support being sought will have. It depends on this analysis to make both the support decision and the way in which the financial support will be structured.

Recently, EDC became involved in considerable controversy concerning a \$41 million loan to a South African company owned by members of a family facing corruption allegations related to their ties to former President Jacob Zuma. The loan to the Gupta family funded the purchase of a Bombardier luxury jet. While this jet was built in Canada by a Canadian firm, the controversy around this family has swept up EDC in a global scandal. Its internal investigation of its decision-making processes revealed that during their due diligence prior to providing the loan, risks were identified, but that EDC had decided to proceed.

What are the inherent risks at both the decision-making stage and the operational stage, i.e., the period when the money is in the hands of the firm and the expansion project under way? Suggest ways to determine the right level of risk tolerance in such situations. What factors might cause EDC to ignore its own risk analysis?

Case Scenario # 3: First Nations Victims Support Grant Program

The Province of Saskatchewan has announced a \$25 million three-year First Nations Victims Support Grant Program. The plan is to award one-time funding to a number of First Nations organizations for local projects that support First Nation victims of domestic violence, sexual assault, hate crimes and historic abuse. These groups will be in both urban and rural settings. The grants will be administered through the Ministry of Justice. The groups receiving these grants will generally be small, community-based not-for-profit First Nations organizations.

There are two types of grants:

1. Small-scale local project grants of amounts up to \$250,00 for specific programming, and
2. Larger-scale projects of up to \$2,000,000 that could include a capital provision.

Groups applying must either be part of the First Nation government or have the approval of the Council to apply. Criteria are open and subject to the approval of the Ministry of Justice.

What are the risks inherent in a program of this type? Suggest ways to mitigate these risks by the Ministry, a First Nation Council and the applying group.

Case Scenario #4: Student Aid Programming

The student aid program is a significant and important program. The Aid Administration Division is responsible for:

- Processing thousands of student financial aid applications,
- Distributing millions of dollars in aid funds to students,
- Enforcing government financial rules and regulations
- Informing and dealing with student applicant requests,
- Managing thousands of student loan accounts, once the loans have been made,
- Collecting repayments and managing the complex issues of loan defaults, etc, and
- Operating the complex information technology systems and tools that are needed to keep track of these processes and report on them.

Track the program, operational and financial risks inherent in this series of responsibilities. Describe how the Division should organize to manage its risk profile and build risk resilience capacity.

Case Scenario #5: What Could Possibly Happen to our Non-Profit

The Hopewell and District Community Care Group is a volunteer organization that supports a number of community care and development programs. Its mission is the health of the youth in Hopewell and the surrounding areas. It depends entirely on local fund-raising and an irregular flow of grants or contribution programs from various funding agencies of municipal, provincial and, occasionally, the federal government. It also has successfully obtained funding from private sources such as the community support funding of large banks and other corporations. All this is done by a volunteer board and a small membership from the community.

The funds are administered by the board for specific programming. The Group does not operate the programs itself, but uses service providers, either individuals or other service groups. It also funds activities organized by groups of citizens such as special trips for kids and enrichment activities for after-school programming.

The Group's fund-raising often takes the form of gathering pledges of support,

nominally to be followed by the money pledged. As it also depends on government granting programs, there is often a discontinuity in timing of the arrival of the funds. As a volunteer board, it is often placed in the position of verifying that the funding it gives out was used properly.

What are the risks that the board faces in this kind of environment? Speak to the program, operational, financial and other categories of risk. What should the Board do to establish an effective risk management process?

Case Scenario #6: Build It and Build It Now

The City of Sarnia is under considerable pressure to replace a key building in its city centre complex. This is the oldest part of the complex, full of asbestos, in violation of new provincial disability legislation, costly to run and in need of uneconomical repairs. In addition, it has access to time-constrained funding that, if spent in the next 18 months, it can access and use, but will otherwise lose (this is a special provincial fund out of the control of the City).

The Chief Administrative Officer (COA) of the City is recommending to Council that they move quickly to take advantage of these funds, which will cover only part of the costs. In doing so, the Council would have to commit to a major portion of the project costs for start-up and capital costs. To reduce the impact of this, she proposes that the City quickly establish a 3-P (public private partnership) that will design, build and operate the building. Financial control will be exercised jointly by the City and the chosen partner. Further, she is suggesting that the City by-pass its normal contracting rules and designate Ellis-Don, a major construction conglomerate, as the partner, given its track record.

What are the risks inherent here? What should Council do?

Case Scenario #7: Harvesting Risks

You work in a large, geographically dispersed public organization with, as the saying goes, many moving parts. These include a central office, regional and local offices. You are involved in direct client service in the social policy field. You are a manager in central office responsible for various elements of performance measurement and risk analysis.

Your organization has a modest risk reporting system, as part of its environmental

scanning for strategic planning. Generally, it relies on reports from managers for this analysis, undertaken once a year. You feel that a better job can be done in identifying risks and doing something about them. What steps would you want to take to improve things, make risk better understood and get input on them that is more robust and closer to decision-making. In other words, how do you build a risk culture. How would convince senior management of the need to do this? How would you engage the organization and its stakeholders in useful risk discussions?

Case Scenario #8: Communications Does and Don'ts

In terms of communicating emerging risks, nothing is closer to people than public health and potential illnesses. This scenario asks you to formulate the first communication on an emerging, and, as yet, not fully understood illness. Which of the statements should be included in the announcement, which withheld?

Possible Key Points for First Announcement	Release	Withhold
1. The Public Health Agency of Canada is investigating an outbreak of an unknown illness. A total of 62 cases have been identified in Canada. Symptoms include high fever, runny nose, red eyes and a raised, red, itchy rash, and in most cases, diarrhoea. Three people have been hospitalized.		
2. It is unclear exactly how the illness is transmitted.		
3. At this time, the cause of illness is uncertain. We expect our understanding to change as more information becomes available.		
4. Many of the cases identified have been linked to the Canadian Junior Orchestra, which recently travelled to Beijing.		
5. We understand that there may be similar illnesses in China		
6. It is possible that this illness is linked to food. In particular, a Chinese –produced candy called JuicyChew has been identified as a possible source.		
7. As a precautionary measure, the Government of Canada recommends that Canadians avoid eating JuicyChew candy.		
8. As a precautionary measure, Canadians should not eat any food produced in China. China’s regulations around food safety differ from Canadian regulations, and could expose Canadians to a risk of foodborne illnesses.		

9. Please visit our website to learn more about symptoms and what you should do if you experience symptoms. And please share your questions and your concerns to help us provide you and your families with the information you need.		
10. The Government of Canada has this situation under control. Canadians should not panic		