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GFOA: Understanding the Flaw of Averages.

Central to understanding risk is a concept called the “flaw of averages”—the idea that a single average number obscures the variation in the data. In “A Financially Resilient Organization is a Risk-Aware Organization,” a session at today’s annual conference in Toronto, Malisa Files and Sam Savage discussed uncertainty in financial planning. They pointed out that understanding potential variation from your average is key to understanding risk because you need to know how likely it is that your actual experience will come in under or over your estimate.

Files and Savage showed a model under construction by the City of Redmond, Washington, that is designed to help make the audience for the city’s forecast more aware of risk and better able to make decisions about resource allocation.

If you missed this session, you can see an [article](#) about this topic in the April 2016 issue of Government Finance Review.

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