American Institute of Applied Sciences in Switzerland

RISK MANAGEMENT POLICY

Policy Manager: Quality Assurance Director	**Date Approved: 28.10.2024**
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AUS
American Institute of Applied Sciences in Switzerland

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1. INTRODUCTION

The Risk Management Policy forms part of the internal quality management and the governance arrangements at the American Institute of Applied Sciences in Switzerland (AUS). The policy explains our underlying approach to risk management. It documents the roles and responsibilities of the Management Committee, the President and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

Risk may be defined as ”the threat or possibility that an action or event will adversely or beneficially affect an organization’s ability to achieve its objectives’. In other words, risk management can be characterized as a process which can provide assurance that damaging things will not happen or are less likely to happen; that beneficial things will be or are more likely to be achieved; and that as a consequence, an institution’s objectives are more likely to be realized. Effective risk management is synonymous with good management and good governance; and at AUS it is one of the key institutional tools employed as we seek to meet our aims as set out in the Strategic Plan 2022 - 2027.

This document aims to provide practical guidance to the AUS governance and administrative staff on the implementation of effective risk management practice and on the embedding of the process within all institutional activities.

AUS seeks to operate a systematic process of risk management which is both bottom up and top down, integrated into existing structures and aligned to its strategic aims. The approach is deliberately multi-faceted, to maximize the chances of successfully identifying risks and to ensure so far as possible that risks feature at the front of management thinking at all levels within the institution. 2.2 The Board is ultimately responsible for risk management arrangements, but the Audit Committee acts on behalf of the Board in overseeing those arrangements. At the executive level, risk management arrangements are the responsibility of the Chief Financial Officer, whose Team maintains an institutional risk register.

2. MAIN PRINCIPLES

The following key principles outline our approach to risk management:

- AUS engages in risk management because it is good business practice and brings benefits in being able to plan more effectively, be better placed to take up new opportunities and promote continual improvement;
- The institution aims to create a culture in which risks are identified, acknowledged, understood and managed by staff at all levels;
- The Management Committee has responsibility for overseeing risk management across the institution as a whole;
- An open and receptive approach to solving problems is adopted by the Management Committee;

- Risk management must be embedded within the AUS planning process and the President and other team members are responsible for ensuring good risk management practice within their portfolios of responsibility;
- Key risk indicators are identified and closely monitored on a regular basis;
- AUS recognises and makes prudent disclosure of the financial and nonfinancial implications of risks.

3. ROLES AND RESPONSIBILITIES

3.1. President

Has primary responsibility for a number of statutory and regulatory duties, as well as its responsibility for adequate and effective risk management, control and governance, and for the economy, efficiency and effectiveness (value for money) of the institution's activities. In relation to risk management this translates into a role which is to:

- Set the tone and influence the culture of risk management within the institution. This includes: Determining the appropriate risk appetite or level of exposure for the institution as a whole or on any relevant individual issue;
- Determine what types of risk are acceptable and which are not;
- Set the standards and expectations of staff with respect to conduct and probity;
- Approve major decisions affecting AUS risk profile or exposure.
    a. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
    b. Satisfy themselves that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
    c. Review the AUS strategic risks on at least an annual basis and approve changes or improvements to key elements of its risk management framework and policy.

3.2. Management Committee

Plays a key role in providing expert advice to the President on the fulfillment of his responsibility for sound internal control of which risk management is a contributing factor. The committee oversees and advises on the institution's policy framework for risk management. This includes discussing and expressing an opinion on the adequacy and effectiveness of the institution's arrangements for: risk management, control and governance.

3.3. Quality Assurance Director

The Quality Assurance Director reports to the Management Committee on matters of internal control and alerts its members to any emerging issues. The Director provides advice to the Committee on the effectiveness of the internal quality management system, including the AUS system for the management of risk.

3.4. Administrative staff

It is the responsibility of all AUS administrative staff to ensure that risk management is embedded in existing management processes within their respective teams; specifically, they are responsible for seeing that their department:

- identifies, assesses and responds to key risks;
- ensures that key risks are reported to the Management Committee and that emerging risks are discussed;
- that responsibility for each specific risk is allocated to an individual;
- that actions are identified and implemented;
- that an annual review of risks is undertaken.

4. AUS FRAMEWORK FOR RISK MANAGEMENT

The AUS risk management framework encompasses a number of elements that together facilitate an effective and efficient operation, enabling the institution to respond to a variety of operational, financial, and commercial risks.

These elements include:

4.1. Policies and procedures

A regulatory and policy framework across key areas of the AUS's work underpins the internal control process (for example, financial regulations, academic regulations, health and safety policy). The policies are set by either the Management Committee or by the Presidency and are implemented and communicated to staff. Written procedures support the policies where appropriate.

4.2. Regular reporting

Comprehensive and regular reporting is designed to monitor key risks and their controls at senior management level. Decisions to rectify problems are implemented through the line management structure. A report is made by the Quality Assurance Director to meetings of the Management Committee on a regular basis covering key areas of strategic activity, progress and development in addition to regular items of business on student recruitment and financial performance. Performance against all key performance indicators (KPIs) including issues relating to the student experience, quality assurance and institutional growth are considered by the Committee regularly and performance is formally reported on all strategic KPIs monthly.

4.3. Annual planning and budgeting

The AUS annual planning and budgeting processes are used to set objectives, agree action plans, and allocate resources and the identification and management of risk is a key part of this process.

4.4. Risk management framework

Risk management issues are considered regularly by the Management Committee and formal discussion at regular intervals across the academic year facilitates the identification, assessment and ongoing monitoring of risks that are significant to the institution and its performance.

4.5. Cross-team oversight

All AUS staff use the corporate risk management framework and apply it and interpret or tailor it as required to their own department or context. They are responsible for identifying, managing, monitoring and reporting risks and controls through the agreed processes and ensuring the appropriate linkages are made between operational and governance level risks.

5. SPECIFIC GUIDANCE

5.1. Identifying Risk

Staff members are free to choose whichever methodology they prefer for identifying, evaluating and controlling risk – given the time and resources available to them.

5.2. Categorizing Risk

Risks should be grouped in the following categories:

- high impact, high likelihood risks;
- significant risks that are beyond their capacity to reduce or eliminate and/or that require transfer to another responsible section;
- risks where the service area requires assistance with reduction or elimination;
- risks that are likely to have a wider institutional impact.

This helps to ensure that key risks are not overlooked, and assists in documenting the process. Inevitably some risks may be placed in more than one category; staff should select whichever category they believe to be the most appropriate.

5.3. Risk Assessment

There are two main parameters for assessing risk:

Likelihood – how likely is it to happen?
Impact – how significant might the consequences be?

When informing the Management Committee of any high impact/high likelihood risks, staff should explain the criteria used. It is recommended that staff use a defined time period over which to assess likelihood. Generally, this will be the AUS planning horizon (five years) though it is helpful also to identify once a year what are the key risks facing the unit concerned over the following 12-18 months.

5.4. Managing risks actions and ownership

After assessing risks, it is important that the necessary action is identified. Such action can be summarized as a decision to do one of the following:

- Terminate the risk (by withdrawing from an activity, for example)
- Transfer the risk (such as by purchasing insurance, where applicable)
- Tolerate the risk (in the case of unavoidable risks)
- Treat the risk (by preparing a contingency plan)

Wherever possible a risk 'owner' should be identified – someone who is responsible for managing a particular risk. This should normally be a specific role-holder rather than a committee.

5.5. Documentation, Reporting and Review

The staff members should document the actions used to mitigate or eliminate the risk, the person responsible for the actions and the dates by which actions are taken or should be taken. It also serves as a useful audit trail for those risks where the risk score has changed or has been eliminated completely.