

<u>Policy Title</u>	NCG Internal Audit Policy	
<u>Policy Category</u>	Compliant	
<u>Owner</u>	Director of Assurance & Risk	
<u>Group Executive Lead</u>	Chief Operations & Compliance Officer	
<u>Date Written</u>	May 2021	
<u>Considered By</u>	N/A	
<u>Approved By</u>	Audit & Risk Committee	
<u>Date Approved</u>	March 2023	
<u>Equality Impact Assessment</u>	The implementation of this policy is not considered to have a negative impact on protected characteristics.	
<u>Freedom of Information</u>	This document will be publicly available through the Groups Publication Scheme.	
<u>Review Date</u>	March 2024	
<u>Policy Summary</u>	<p>The purpose of this policy is to define the mission and objectives of the internal audit function.</p> <p>The policy is also designed to support the strategic direction of the function and ensure that internal audit's ways of working are agreed and communicated across the organisation.</p>	
<u>Applicability of Policy</u>	<u>Consultation Undertaken</u>	<u>Applicable To</u>
Carlisle College	No	Yes
Newcastle College	No	Yes
Kidderminster College	No	Yes
Lewisham College	No	Yes
Newcastle 6 th Form College	No	Yes
Southwark College	No	Yes
West Lancashire College	No	Yes
Professional Services	No	Yes
<u>Changes to Earlier Versions</u>		
<u>Previous Approval Date</u>	<u>Summarise Changes Made Here</u>	
May 2022	Updates to job roles / titles, inclusion of Chief Operations & Compliance Officer revised role in terms of issuing the annual opinion, addition of the roles of the Co-sourced internal audit partner and data assurance partner.	
March 2023	Minor updates to reflect current practices.	
<u>Linked Documents</u>		
<u>Document Title</u>	<u>Relevance</u>	
Internal Audit Manual	This document sets out the underpinning procedures that are in place to deliver the objectives set out within the Internal Audit Policy.	

1. Purpose

The purpose of this policy is to define the mission and objectives of the internal audit function.

The policy is also designed to support the strategic direction of the function and ensure that internal audit's ways of working are agreed and communicated across the organisation.

2. Scope

This policy applies to all assurance activity led by the NCG internal audit function. This includes:

- Risk-based internal audit reviews undertaken as part of the annual internal audit cycle.
- Funding assurance reviews (including mock audits undertaken by external providers).
- Advisory / critical friend reviews for less established processes or emerging risk areas.

Underpinning the scope of NCG's assurance activity is a detailed methodology which sets out how internal audit work should be conducted by the internal audit team (Internal Audit Manual).

3. Definitions

Internal Audit

The Institute of Internal Auditors (IIA) defines internal audit as:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'

Funding Assurance

The funding received from the Education and Skills Funding Agency (ESFA) accounts for the majority of NCG's annual income and the ESFA monitors data as part of its checks to provide financial assurance for post 16 provision.

As NCG's internal audit function, the team will work with an external provider to replicate as far as practicably possible the ESFA's Funding Assurance Review methodology to support NCG in achieving systemic compliance with the applicable ESFA Funding Rules. NCG's internal audit team will then review the root causes for any exceptions identified with a view to making recommendations to address those concerns.

Where any other sources of funding require assurance activity to be undertaken, we will aim to replicate the assurance approach of the relevant funding body as appropriate.

Advisory / Critical Friend Reviews

This type of assurance activity aims to provide support to management in developing a robust control framework in areas that are less established or in their infancy in an advisory nature. It is expected that after this work a follow up internal audit will take place to assure the effective implementation of the recommendations raised as part of the initial advisory review.

4. Mission, Principles and Objectives

Mission and Principles

The IIA defines internal audit's mission as:

'To enhance and protect organisational value by providing risk-based and objective assurance and insight.'

For an internal audit function to be considered effective, all core principles (as defined by the IIA) should be present and operating effectively. It is recognised that how internal audit demonstrates the achievement of the principles may be different from organisation to organisation, but failure to achieve any of the principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission.

As such, NCG's internal audit team have adopted the core principles outlined below when undertaking assurance work:

- Demonstrating integrity.
- Demonstrating competence and professional due care.
- Being objective and free from undue influence (independent).
- Being aligned with the strategies, objectives & risks of the organisation.
- Being appropriately positioned and adequately resourced.
- Clear demonstration of quality and continuous improvement.
- Effective communication.
- Providing risk-based assurance.
- Being insightful, proactive and future-focused.
- Promotes organisational improvement.

The principles will be reviewed on an annual basis and will form part of internal audit's self-assessment process each year.

Objectives

The strategic objective of NCG's internal audit team is to provide adequate assurance to the Audit & Risk Committee and relevant stakeholders that the organisation's system of internal control is suitably designed and is operating effectively in a manner that will mitigate the key risks facing NCG.

Underpinning this objective are the following detailed requirements:

- Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls (both existing and proposed) to promote effective and efficient internal control at reasonable cost.
- Ascertaining the appropriateness of (and the level of compliance with) established policies, plans and procedures.
- Ascertaining the effectiveness with which NCG's assets are accounted for and safeguarded from losses of all kinds.
- Ascertaining the reliability of management data produced within the College and reported to external parties.
- Conducting special investigations.

5. Internal Audit Charter

The internal audit charter is intended to formalise the purpose, authority and responsibility of NCG’s internal audit team and is approved annually by the Audit & Risk Committee.

The full charter has been included in **Appendix 1** to this document.

6. Performance of internal audit

To achieve the objectives, set out above, the internal audit function and NCG more broadly must adhere to its assurance responsibilities.

To measure this, the following key performance indicators will be monitored and reported on (the corresponding evidence needed to demonstrate achievement is also set out):

Audit Cycle	Key Performance Indicator	Evidence
<p>The process of drafting NCG’s internal audit plan is undertaken annual between March and July. All senior staff across the business will have the opportunity to contribute to the plan. Draft versions of the plan will be presented to Audit & Risk Committee in May and Executive Board in June ahead of being finally approved by Audit & Risk Committee in July.</p> <p>For each assignment the plan will document an executive sponsor and a high-level scope.</p>	<p>Annual audit plan to be prepared for Audit & Risk Committee approval at the June meeting.</p>	<p>Audit & Risk Committee minutes showing approval of annual audit plan.</p>
<p>All internal audit assignments will begin with a formal notification of the audit being issued to the executive sponsor. This will be closely followed by a ‘scoping meeting during which the scope of the audit will be discussed and agreed. Formal terms of reference will then be issued to confirm the scope of the work.</p>	<p>All terms of reference to be issued within two weeks of the scoping meeting.</p>	<p>Email issuing terms of reference to all relevant stakeholders.</p>

Audit Cycle	Key Performance Indicator	Evidence
Once terms of reference have been approved and fieldwork dates have been agreed, an information request will be issued to management within two weeks of the fieldwork start date setting out the information and evidence that will be required for the audit.	Audit evidence to be provided to internal audit within two weeks of the information request being issued.	Uploading date on OneDrive / email providing evidence to Internal Audit team.
Once the audit fieldwork has been completed, an audit closing meeting should be held with internal audit and management. This is an important step in the process where audit findings are verbally agreed.	Audit closing meetings to be held for all audits.	Closing meeting calendar invitation and meeting minutes.
A draft report should be issued promptly following the closing meeting to set out the findings of our work and the proposed recommendations to address the risks identified.	Draft report to be issued within three weeks of audit closing meeting.	Email issuing terms of reference to all relevant stakeholders.
Management responses setting out the actions that will be taken to address the risks identified are required to finalise the audit report.	Management responses to be provided no later than two weeks after issue of the draft report.	Email providing management responses to the Internal Audit team.
Once management responses have been received, the finalised audit report will be issued to management and presented to Audit & Risk Committee at the next meeting.	Final reports to be issued within one week of receiving final management responses.	Email issuing the final report to the relevant stakeholders.
One approved by Audit & Risk Committee, extracts of relevant reports and a summary of any actions already outstanding will be presented to College Boards.	A report will be presented to each meeting of the College Boards.	Within the papers for each meeting of College Boards.

	Key performance indicator met
	Key performance indicator not met by up to five working days*
	Key performance indicator not met (for time based KPIs, by over five working days)

*Not applicable to KPI's 1 and 4 due to their nature.

7. Methodology

To drive quality and consistency in assurance work undertaken, NCG's internal audit function will follow a documented methodology aligned to Public Sector Internal Audit Standards (PSIAS).

8. Roles and Responsibilities

Chief Operations & Compliance Officer

Executive Board Member responsible for the achievement of the strategic objectives of the assurance team and Head of Internal Audit for NCG. The Chief Operations & Compliance Officer is also responsible for issuing an annual opinion on the adequacy and effectiveness of the organisation's arrangements for risk management, control & governance, sustainability, economy, efficiency & effectiveness (value for money) and the quality of data submitted to regulatory bodies (which in turn will inform the Audit & Risk Committee's annual report and opinion).

Director of Assurance & Risk

Responsible for the effective management and oversight of the internal audit activity and to support the Chief Operations & Compliance Officer in the achievement of the assurance team's strategic objectives.

Assistant Director – Internal Audit and Internal Auditor (and any other internal audit team members as required)

Responsible for the delivery of assurance activity in accordance with the annual internal audit plan (and other assurance activity as required).

Co-Sourced Internal Audit Partner

Responsible for supporting the delivery of NCG's internal audit plan with specialist input and skills.

Data Assurance Partner

Responsible for the delivery of NCG's annual mock funding audit to confirm the compliance position with the ESFA's Funding Rules.

Executive Board

Responsible for sponsoring assurance activity and delegating responsibility (where appropriate) for the coordination of information to allow the assurance team to achieve its audit objectives.

Audit & Risk Committee

To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Group's audit arrangements, compliant framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

The Audit & Risk Committee responsibilities are set out in detail within the Audit & Risk Committee Terms of Reference included in **Appendix 2** to this policy.

9. Reporting to Senior Management and the Board

As part of the function's responsibility to senior management and the Board, reporting should be undertaken in line with the frequency set out below. As a guide, the following should be periodically reported on:

- Internal audit charter (to be approved annually).
- The audit plan and progress against the plan (to be approved annually).
- Results of audit and advisory activity (throughout the year in accordance with the internal audit plan).
- Annual report showing the annual opinion (to inform NCG's governance statement) and summary of work performed.
- Management's response to risk that, in the assurance team's judgement may be unacceptable to the organisation (only applicable where management do not accept the recommendations raised by internal audit without appropriate rationale).

10. Review and approval

This policy will be reviewed and approved by the Audit & Risk Committee on an annual basis.

Appendix 1 – NCG Internal Audit Charter

Purpose and Scope

The mission of the NCG's internal audit function is to provide independent, objective assurance and consulting services designed to add value to and improve the group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of internal audit work across the group (including work undertaken externally and any work that is co-sourced to a partner organisation) is to determine whether the group's network of risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial and operating information is accurate, reliable and timely.
- Employees' actions are following policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently and adequately protected.
- Programmes, plans and objectives are achieved.
- Quality and continuous improvement are fostered in the group's control process.
- Significant legislative or regulatory issues impacting the group are recognised and addressed promptly.

Opportunities for improving management control, and examples of best practice, may be identified during assurance engagements and will be communicated to the appropriate level of management.

Professionalism

Internal audit will govern itself by adherence to 'The Institute of Internal Auditors' guidance including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of internal audit's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides and Position Papers will also be adhered to, as applicable. In addition, internal audit's activity will adhere to relevant NCG policies and procedures and internal audit's own methodology.

Accountability

The Chief Operations & Compliance Officer, in the discharge of his duties, shall be accountable to the Executive Board, Audit & Risk Committee and ultimately the Corporation Board to:

- Provide annually an opinion on the adequacy and effectiveness of the organisation's arrangements for risk management, control and governance, sustainability, economy, efficiency and effectiveness (value for money) and the quality of data submitted to regulatory bodies (which in turn will inform the Audit & Risk Committee's annual report and opinion).
- Report significant issues related to the processes for controlling the activities of the group and its affiliates, including potential improvements to those processes, and provide information concerning those issues through resolution.
- Provide information periodically on the status and results of the annual assurance plan and the sufficiency of departmental resources.
- Co-ordinate with, and provide oversight of, other control and monitoring functions, such as compliance and external audit.

Independence

To provide for the independence of the internal audit team, its personnel report to the Chief Operations & Compliance Officer, who, in turn, reports to the CEO / Chair of Corporation and to the Audit & Risk Committee. The internal audit team have no direct operational responsibility, or authority over any activities they review. Additionally, where areas of operation report to Chief Operations & Compliance Officer all audit activity will be undertaken by NCG's appointed audit partners.

Integrity and confidentiality

Internal audit staff are required to operate to the highest standards of integrity and ensure they comply with the standards set out within this document.

Any data or information obtained or received by internal audit staff in the course of duty or otherwise will be treated as confidential.

Responsibility

The Board carries overall responsibility for:

- Corporate governance, including the Group's adherence all applicable laws and regulations.
- Risk management.
- The system of internal control.

It delegates these responsibilities to the **Audit & Risk Committee** who in turn delegates operational responsibility for these matters to management.

Chief Operations & Compliance Officer is responsible for:

- Preparing the annual audit plan, in consultation with the Executive Board and NCG's appointed co-sourced audit partner, and for submitting to the Audit & Risk Committee for approval and agreement of the budget / resource plan.
- Implementing and reporting on the approved audit plan.
- Ensuring that the internal audit function has the skills and experience commensurate with the risks of the organisation.
- Providing an annual opinion on the adequacy and effectiveness of the organisation's arrangements for risk management, control and governance, sustainability, economy, efficiency and effectiveness (value for money) and the quality of data submitted to regulatory bodies (which in turn will inform the Audit & Risk Committee's annual report and opinion).

Management is responsible for:

- Identification, understanding and effective management of risks, including taking appropriate and timely action in response to audit findings.
- Maintaining a sound system of internal control and improvement of the same, recognising that the assurance function does not in any way relieve them of this responsibility.
- Fraud prevention and detection. As internal audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

Authority

The Chief Operations & Compliance Officer and the internal audit team are authorised to:

- Have unrestricted access to all functions, records, property and personnel.
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish assurance engagement objectives.
- Obtain the necessary assistance of personnel within the organisation where they perform assurance engagements, as well as other specialised services from within or outside the organisation.

The Chief Operations & Compliance Officer and the internal audit team are not authorised to:

- Perform any operational duties for the group or its affiliates.
- Direct the activities of any group or individuals not employed by the group, except to the extent such employees have been appropriately assigned to an assurance engagement or to otherwise assist the Assurance Team.

Review and approval

The internal audit charter will be reviewed on an annual basis and any changes proposed will be subject to approval by the Audit & Risk Committee.

Appendix 2 - Audit & Risk Committee Terms of Reference

1. To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Group's audit arrangements, compliant framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.
2. To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditors and other assurance providers (where appointed), including internal auditors, and establish that all such assurance providers adhere to relevant professional standards.
3. Advise the Corporation on the scope and objectives of the work of the internal auditors, the external auditor and the funding auditor (where appointed).
4. To ensure effective co-ordination between the internal auditors, the funding auditor and the external auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.
5. To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal auditors.
6. To advise the Corporation on internal audit assignment reports, annual reports and on control issues included in the management letters of the external auditor (including their work on regularity) and the funding auditor, and management's responses to these.
7. To monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the external auditor, and of any reports submitted by other providers of audit and assurance providers to the Group.
8. To consider and advise the Corporation on relevant reports by the Education Skills Funding Agency (ESFA), Office for Students, other funding bodies and where appropriate, management's response to these.
9. To establish, in conjunction with NCG management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal and external auditors through these measures and indicators and to decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
10. To produce an annual report for the Corporation. The annual report must summarise the Committee's activities relating to the financial year under review, including any significant issues arising up to the date of preparation of the report, and any significant matters of internal control included in the management letters and reports from auditors or other assurance providers. It must include the Committee's view of its own effectiveness and how it has fulfilled its terms of reference. The report must include the Audit & Risk Committee's opinion on the adequacy and effectiveness of the Group's audit arrangements, its compliant framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness. The annual report must be submitted to the corporation before the Statement of Corporate Governance and Internal Control in the accounts is signed. A copy of

the Audit & Risk Committee's annual report must be submitted to the relevant funding body with the annual accounts.

11. To oversee the Group's policies on fraud and irregularity and whistleblowing, and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity; that investigation outcomes are reported to the Audit & Risk Committee; that the external auditors (and internal auditors where appointed) have been informed, and that appropriate follow-up action has been planned / actioned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.
12. To inform the Corporation of any additional services provided by the financial statements, regularity and other audit and assurance providers and explain how independence and objectivity were safeguarded.
13. To recommend the annual financial statements to the Corporation for approval.
14. To advise the Corporation, the Executive and the Directors and employees of any subsidiary companies on audit matters relating to the subsidiary companies, as required.