

| POLICY / PROCEDURE TITLE | | DATE OF APPROVAL |
|--------------------------|-------------|------------------|
| Internal Audit Policy | | September 2024 |
| APPROVED BY | VERSION NO. | VALID UNTIL |
| Audit & Risk Committee | 4 | September 2025 |

| | | | |
|---|--|-----------------------------|------------------------------|
| OWNER | Director of Assurance & Risk | | |
| GROUP EXECUTIVE LEAD | Chief Finance Officer | | |
| DOCUMENT TYPE | Policy <input checked="" type="checkbox"/> Group Procedure <input type="checkbox"/> Local Procedure <input type="checkbox"/> | | |
| PURPOSE | To establish NCG's approach to delivering internal audit which is designed to assess the adequacy and effectiveness of NCG's internal control framework. | | |
| APPLICABLE TO | Governors, staff, students, suppliers, contractors, consultants, and other stakeholders (e.g. employers). | | |
| EQUALITY ANALYSIS COMPLETED [POLICIES ONLY] | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| | | | |
| KEY THINGS TO KNOW ABOUT THIS POLICY | 1. Approach to internal audit 2. Measurement of internal audit performance | | |
| EXPECTED OUTCOME | Readers are expected to understand the organisational position on NCG's approach to delivering internal audit. | | |

| MISCELLANEOUS | |
|------------------|---|
| LINKED DOCUMENTS | <ul style="list-style-type: none"> Internal Audit Manual. |
| KEYWORDS | <ul style="list-style-type: none"> Internal audit Risk management Internal control framework |

Equality Impact Assessment

| EQUALITY IMPACT ASSESSMENT | | | |
|---|--|-------------------------------------|---|
| | Yes | No | Explanatory Note if required |
| EIA 1 - Does the proposed policy/procedure align with the intention of the NCG Mission and EDIB Intent Statement in Section 2? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The answer to this must be YES |
| EIA 2 - Does the proposed policy/procedure in any way impact unfairly on any protected characteristics below? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| Age | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| Disability / Difficulty | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| Gender Reassignment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| Marriage and Civil Partnership | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| Race | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| Religion or Belief | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| Sex | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| Sexual Orientation | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| EIA3 - Does the proposed policy/processes contain any language/terms/references/ phrasing that could cause offence to any specific groups of people or individuals? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| EIA4 - Does the policy/process discriminate or victimise any groups or individuals? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| EIA 5 - Does this policy/process positively discriminate against any group of people, or individuals? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this must be NO |
| EIA 5 - Does this policy/process include any positive action to support underrepresented groups of people, or individuals? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The answer to this could be yes or no as positive action is lawful. However, an explanation must be provided for clarity. |
| EIA 6 - How do you know that the above is correct? | This policy has been reviewed by the NCG Executive Board and NCG Audit and Risk Committee. | | |

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 and supported by external co-sourced providers. This includes:

- Risk-based internal audit reviews undertaken as part of the annual internal audit plan.
- Funding assurance reviews (including independent 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 (e.g. Office for Students).

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 (which align with the standards published by the Institute of Internal Auditors):

- 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.

As a public sector organisation, the NCG internal audit team also follow The Seven Principles of Public Life (<https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life>). There is also an expectation that colleagues within the internal audit team will enhance their knowledge, skills and other competencies through continuing professional development. The principles outlined above will be reviewed on an annual basis.

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 should 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 annually 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..</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 or debrief document shared to set out the observations from the work undertaken. This is an important step in the process where audit findings are agreed. | Audit closing meetings or audit debrief documents to be held / shared for all audits. | Closing meeting calendar invitation and meeting minutes or debrief document. |
| 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 / debrief document shared. | 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. |

| | |
|--|--|
| | 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).

The PSIAS requires that quality assurance arrangements are in place to oversee the quality of internal audit work undertaken and that the arrangements are externally assessed by a qualified, independent organisation once every five years. The results of the assessment will be communicated to Audit & Risk Committee for their oversight.

8. ROLES AND RESPONSIBILITIES

Chief Finance Officer

Executive Board Member responsible for the achievement of the strategic objectives of the assurance team.

Director of Assurance & Risk

Responsible for the effective management and oversight of the internal audit activity and to support the Chief Finance Officer in the achievement of internal audit's strategic objectives. The Director of Assurance & Risk 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).

The Director of Assurance & Risk is also responsible for responding to any suspected, alleged or confirmed instances of fraud that have been identified (outcomes of which will be reported to Senior Management and the Audit and Risk Committee).

Assistant Director – Data & Assurance and any other internal audit team members

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 independent mock funding audit to confirm the compliance position with the ESFA's Funding Rules.

Chief Executive's Group

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.

9. REPORTING TO SENIOR MANAGEMENT AND THE BOARD

As part of the function's responsibility to senior management (NCG Executive Board) and the Board of Governors, 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 the Audit & Risk Committee's annual report and NCG's statement of corporate governance and internal control) 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.

11. STATEMENT ON IMPLEMENTATION

Upon approval, this policy will be uploaded to the policy portal and communicated to colleagues via the NCG Business Roundup.

12. STATEMENT ON EQUALITY AND DIVERSITY

NCG is committed to providing equality of opportunity. Further details of our aims and objectives are outlined in our [Equality Diversity Inclusion and Belonging Strategy](#).

This policy has been assessed to identify any potential for adverse or positive impact on specific groups of people protected by the Equality Act 2010 and does not discriminate either directly or indirectly. In applying this policy, we have considered eliminating unlawful discrimination, promoting equality of opportunity and promoting good relations between people from diverse groups.

13. STATEMENT ON CONSULTATION

This policy has been reviewed in consultation with the Policy Review Council prior to approval from Executive Board.

| VERSION CONTROL | | | | |
|-----------------|--------------------------------|---|------------------------------|--------------|
| Version No. | Documentation Section/Page No. | Description of Change and Rationale | Author/Reviewer | Date Revised |
| 1 | New Policy | N/A | Director of Assurance & Risk | May 2021 |
| 2 | Updated Policy | Updates to titles and structures. | Director of Assurance & Risk | May 2022 |
| 3 | Updated Policy | Updates to titles and structures. | Director of Assurance & Risk | May 2023 |
| 4 | Updated Policy | Updates to titles and structures. Updates to reflect adherence to Public Sector Internal Audit Standards (following NCG's reclassification to the public sector) | Director of Assurance & Risk | August 2024 |

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.

Any assurance services provided by the co-sourced partner will be under the direction of the Chief Finance Officer and Director of Assurance and Risk.

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 Director of Assurance & Risk, is 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).
- 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.

Feedback on the performance of the Director of Assurance and Risk in the achievement of the objectives above will also be sought from the Chief Executive Officer and the Chair of Audit & Risk Committee.

Independence

To provide for the independence of the internal audit team, its personnel report to the Director of Assurance & Risk, who, in turn, reports to the Chief Finance Officer (or Chief Executive Officer for finance audit-related matters) and to the Chair of the Audit & Risk Committee. The internal audit team should have no direct operational responsibility, or authority over any activities they review. Additionally, where areas of operation (or areas of operation previously held) report to the Director of Assurance & Risk (or Chief Finance Officer) all audit activity will be undertaken by NCG's appointed audit partners.

To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Director of Assurance & Risk has direct and unrestricted access to senior management and the board (if necessary). As part of the internal audit annual report, the organisational independence of the internal audit activity will be confirmed.

Where additional activities are undertaken outside of internal auditing, these will be reported to Audit & Risk Committee as appropriate.

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.

Director of Assurance & Risk 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.
- 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 (ensuring appropriate competency).
- 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.
- Being 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 Director of Assurance & Risk 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 Director of Assurance & Risk 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 internal audit 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.