**Internal Audit – Terms of Reference (January 2010)**

**Responsibilities and Objectives**

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the West Midlands Fire and Rescue Authority (hereafter referred to as the Fire Service) on the entire control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

**Reporting lines and relationships**

Internal Audit reports on an administrative basis to the Treasurer. There is also a line responsibility direct to the Director of Corporate Planning and Support and the Chief Fire Officer. The Audit Services Manager reports to the Audit Committee on an ongoing basis. An Annual report will also be produced and presented to the Committee which will include an  'opinion' from the Audit Services Manager on the standards of internal control, risk management and governance within the Fire Service.

**Independence and accountability**

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Internal auditors have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Audit Services Manager has direct access and freedom to report in their own name and without fear or favour to all officers and members and particularly to those charged with governance.

If required the Audit Services Manager may request to meet privately with the Audit Committee.

Accountability for the response to the advice and recommendation of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

**Statutory role**

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations. Internal Audit have the right of access to all records, assets, personnel and premises, including those of partner organisations, and has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

**Internal Audit Standards**

There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect 'the Standards' for local authority internal audit. The guidance accompanying the Accounts and Audit Regulations makes it clear that the Standards are those shown in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The CIPFA Standards have been adopted by Internal Audit.

**Internal Audit Scope**

The scope for Internal Audit is 'the control environment comprising risk management, control and governance'. This means that the scope of Internal Audit includes all of the Fire Service's operations, resources, services and responsibilities in relation to other bodies.

**Internal Audit Resources**

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through Sandwell Metropolitan Borough Council's Personal Performance and Development Programme.

The Treasurer is responsible for the appointment of the Audit Services Manager, who must be suitably qualified and experienced.
The Audit Services Manager, must be suitably qualified and experienced. The Audit Services Manager is responsible for appointing all of the other staff of the Internal Audit Section and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

The Audit Services Manager is responsible for ensuring that the resources of the Internal Audit Section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient, this must be formally reported to the Treasurer, and, if the position is not resolved, to the Audit Committee. Internal Audit work will be proportionate to the importance of the relevant issue.

**Reporting Accountabilities**

A written report will be prepared by Internal Audit for every internal audit project. The report will be subject to an internal quality review before being issued to the responsible officer and will include an 'opinion' on the adequacy of controls in the area that has been audited. The responsible officer will be asked to respond to the report in writing. The written response must show what actions have been taken or are planned in relation to each recommendation.

If the recommendation is not accepted by the manager, this must also be stated. The Audit Services Manager is responsible for assessing whether the managers response is adequate.

**Fraud and Corruption**

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal Audit may be requested by management to assist with fraud related work.

**Consultancy**

Internal Audit can also, where resources and skills exist, provide independent and objective services, including consultancy and fraud-related work. These services apply the professional skills of Internal Audit through a systematic and disciplined approach and may contribute to the opinion which Internal Audit provides on the control environment.