Report to:	**Audit and Governance Committee**
Date:	**4th March 2024**
Title:	**Data Analytics Strategy for Internal Audit**
Report of:	**Chief Internal Auditor**
Ward(s):	**All**
Purpose of report:	**To present a new Data Analytics Strategy for Internal Audit.**
Officer recommendation(s):	**That the Data Analytics Strategy for Internal Audit be noted.**
Reasons for recommendations:	**The strategy is brought to the Committee to raise awareness of the proposed use of data analytics by Internal Audit.**
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1   Introduction

1.1   Traditionally, internal audit testing has been by way of taking a sample of data. This has tended to be a very small percentage of the total and, for this reason, the overall assurance level given has to be qualified by the fact that only a small sample has been tested.

1.2   The council, and the data it holds, has become more complex over time and current testing methodology does not allow for full oversight of the data held.

1.3   There is now a drive in the profession to use data analysis techniques to carry out the testing. This will allow internal audit to make full use of data analytics to focus on areas or transactions where controls appear to not exist or are not operating effectively.

2   What Is Data Analysis?

2.1   Data analysis is a process of using data currently held with the goal of discovering useful information, suggesting conclusions and supporting decision making.

2.2   It involves certain technologies, skill sets and processes to extract and utilise information from electronic data held across the councils.

3   Why Use Data Analytics?

3.1   The use of data analytics in the internal audit profession has risen with the increase in data volumes. It allows for the whole population to be investigated and can reveal trends and anomalies. Data analytics can help internal audit become more efficient and effective and provide more meaningful insight.

3.2   The International Standards for the Professional Practice of Internal Auditing (IPPF 1220.A2) states "In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques".

3.3   There are advantages to using data analytics in internal audit and these include:
- full data testing
- more efficient testing
- reperformance of calculations or comparisons
- more insights by identifying outliers/unexpected results
- faster assurance
- enables internal audit and management to have a better understanding over business areas

3.4   However, there is only so much progress that internal audit can make if the council has poor data governance and systems. In these circumstances, weaknesses will be identified and reported to help drive the council in the right direction with regard to data governance.

4   Current Position

4.1   The Internal Audit team is now in a good position to begin looking into how data analytics can be effectively used when carrying out audit reviews.

4.2   As a start, the Audit Manager is a core member of the Institute of Internal Auditors' Local Authority Data Working Group, as a sub-group of the overall working group. The aim of the group is to help all internal audit teams in the sector toward making greater use of data analytics.

4.3   There is currently little data analytics knowledge in the internal audit team. There are relatively new members of the team who are learning and developing their audit skills, but there is an ambition to move to using data analytics whilst also delivering the audit plan.

5   Moving Forward

5.1   The Data Strategy and Action Plan are the first steps in moving in this direction. It considers what skills and knowledge need to be developed, how data analytics can be used in current audit reviews and how, as a starting point, Excel can be better utilised.

5.2   The strategy and action plan will be reviewed annually.

6   Financial appraisal

6.1   There are no financial implications relating to expenditure arising from this report.

7   Legal implications

7.1   This report is for noting only and therefore the Legal Services team has not been required to comment.

8   Risk management implications

8.1   If the Council does not have an effective governance framework that is subject to proper oversight by councillors it will not be able to demonstrate that it has in place adequate means to safeguard council assets and services, and it could be subject to criticism from the council's external auditor or the public.

9   Equality analysis

9.1   An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

10   Environmental sustainability implications

10.1   Not applicable.

11   Appendices

11.1   Appendix A - Data Analytics Strategy
11.2   Appendix B - Data Analytics Action Plan