STRONGER together

Lewes District Council

EASTBOURNE Borough Council

Working in partnership with Eastbourne Homes

DATA ANALYTICS STRATEGY FOR INTERNAL AUDIT

INTRODUCTION

The volume of data collected, processed and held by local authorities is significant and increasing. Increasingly, processes are also becoming more data driven, more automated and there is less human involvement in decision making, resulting in a reliance on data quality in decision making.

Internal Audit therefore needs to adapt, change and embrace new ways of providing assurance, moving with the councils and supporting them by adding value through data driven assurance practices.

We have an opportunity to achieve this through the use of data analytics to assist in the identification of risks and provision of insight into the organisations. Whilst it is management's responsibility to ensure that risks are appropriately mitigated, Internal Audit can focus its use of data analytics to identify areas or transactions where controls do not exist or are not operating effectively.

Internal Audit aims to support the organisations in making better, more accurate decisions through delivery of this type of assurance, driving change and mitigating risks of poor decision making through improving reliability of data.

This strategy outlines how it is intended to use data analytics to complement and enhance the work and output of Internal Audit.

VISION

Strengthening Internal Audit's impact in adding value to the organisations by creating data analytic excellence across the team.

MISSION

To develop the effective utilisation of data analysis tools to interrogate the councils' data and thereby provide valuable insight and assurance to stakeholders.

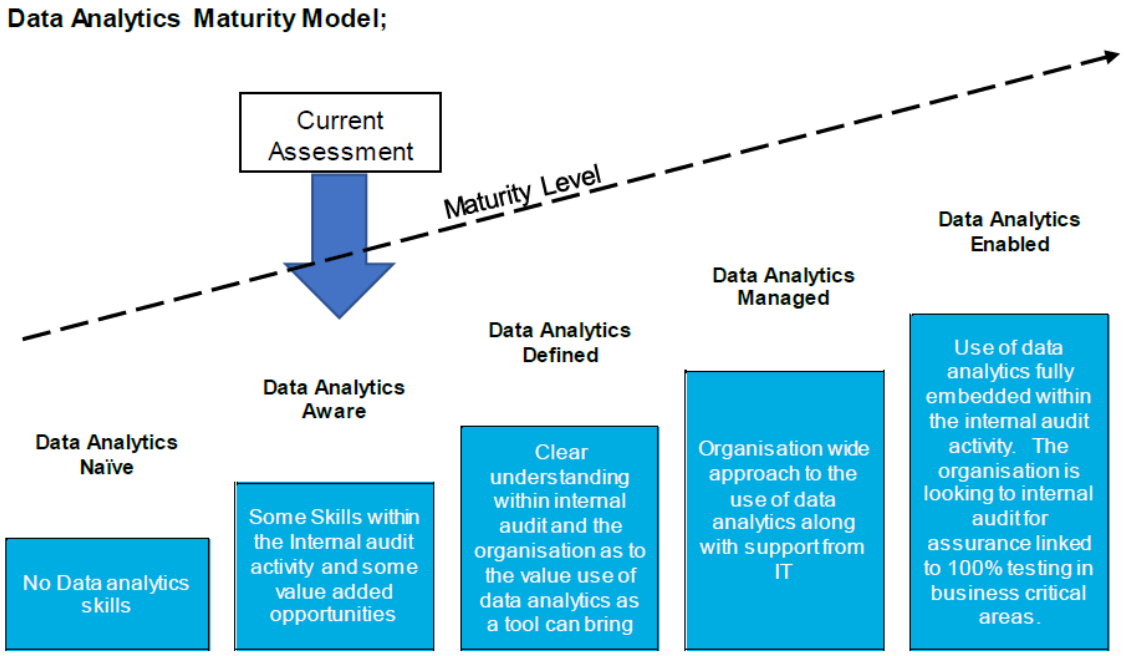
WHY USE DATA ANALYTICS

Data, held on various systems, is not currently scrutinised to exploit its full potential: data analytics helps address this.

Efficiency and Effectiveness	Increased Assurance	Gain New Insights
• Ensure the most efficient, effective use of Internal Audit resources • Use currently held data more efficiently • Less manual testing • Whole population testing • Delivering impact through visual reporting	• Wider coverage allows greater assurance • The possibility of future continuous monitoring/testing of key controls and the ability to inform system owners promptly to implement corrections and not just when an audit review is being carried out • The possibility of real time auditing highlighting error, anomalies and control failures at the earliest opportunity	• Identifying trends and outliers • Identifying unexpected outcomes • Identifying areas of potential fraudulent or unusual activity

DATA MATURITY

The diagram below is a recognised scale for assessing maturity of an audit function to data analytics*. Whilst the ultimate goal is to reach the upper end of the scale (Enabled), it is recognised that incremental steps will need to be taken to embed data analytics within the systems and processes that are currently in place.



Based on the above maturity levels, the Internal Audit function can currently be assessed as 'Aware'. Internal Audit wishes to strive to move up this scale and improve internal practices, moving towards "Enabled".

* IIA Definition of the path to maturity

HOW WILL PROGRESS BE MADE

We will increase our use of data analytics to support the effective and efficient delivery of assurance.

As a small Internal Audit team, we will move forward gradually, ensuring that we consolidate our knowledge at all stages. We will also ensure that we build resilience in this knowledge across the team.

We will ensure that all Internal Audit staff are appropriately trained in the effective design, development and implementation of data analytical techniques, querying and manipulating data and validating hypotheses, initially using the analytical tools already available in Excel.

Communication and interpersonal skills will also be developed to articulate and visualise the insights gained from data analytics.

We will consider the use of data analytics as part of all audits.

OBJECTIVES

Objective	Outcome
To broaden Internal Audit's understanding of, and access to, where data is held across the councils and partner organisations.	Data is accessible and reliable.
To build expertise in the discipline of data analytics to provide added value to Internal Audit insights and recommendations, adding value across our partner organisations.	Expertise developed within Internal Audit in the effective use, management and communication of data analytics.
To increase the delivery of assurance through data analytics and drive efficiency throughout the audit lifecycle.	Greater audit coverage is provided.
To utilise data analytics to enhance data matching capabilities to help identify and combat fraud and irregularity.	Fraudulent activity is identified and deterred across the organisations in accordance with zero tolerance policies.
To utilise data analytics to enhance strategic intelligence / risk assessment to inform the Internal Audit Plan and ensure the most effective use of audit resource.	Efficient, effective use of Internal Audit resource through strategic assessment and analysis.
To embed data analytics as part of the standard audit process.	A sustained approach to data analytics through the standard Internal Audit toolkit.
To support management (where relevant) auditing against risk 'hot spots' across the organisation.	Use of 'real time' auditing to enable the highlighting of errors, anomalies and control failure at the earliest opportunity.

ANNUAL ACTION PLAN

Actions to develop work in line with this strategy will be by way of an annual action plan.