

INTERNAL AUDIT STRATEGY 2025-2030

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CHAPTER ONE

1. INTRODUCTION

1.1. Background Information

Strengthening the effectiveness of internal audit function in the public sector has become very critical in the recent past to achieve accountability, integrity, improved operations and build confidence amongst stakeholders.

The internal audit strategy has been developed in consultation with management and the Audit and Performance Committee and serves as a channel to add value to the internal audit function and ultimately the community of Ngqushwa Local Municipality through various short-, medium and long-term measures which include capacity building exercises, automation in audit techniques to enhance efficiency and improve accuracy. It aims to achieve the Municipality's long-term financial and performance management as well as good governance mission. The strategy has been prepared in fulfilment of the mission of strengthening the internal audit services and ensuring that it becomes a strategic partner.

This strategy will enable focused allocation of resources which will in turn contribute to the achievement of the Municipality's objectives. It prioritises holistic development and progress of internal auditors by setting up feasible and realistic goals. The strategy aims to achieve accountability in the internal audit services and provide a roadmap for strengthening the unit and improving service delivery to its stakeholders over the next 5 years.

The Internal Audit strategy has been prepared and aligned with the strategic goals and objectives as per the Municipalities Integrated Development Plan (IDP).

1.2. Mandate of Internal Audit

Internal auditing is an independent, objective assurance and advisory service 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.

Internal audit forms a key element in the governance process. The Municipal Finance Management Act, Act No. 53 of 2003 (MFMA) requires all municipalities and municipal entities to put in place mechanisms to ensure an internal audit function is established.

According to section 165 of the MFMA, the mandate of the internal audit function is to:

- (a) Prepare a risk-based audit plan and an internal audit program for each financial year;

- (b) Advise the accounting officer and report to the Audit and Performance Committee on the implementation of the internal audit plan and matters relating to –
 - (i) Internal audits;
 - (ii) Internal controls;
 - (iii) Accounting procedures and practices;
 - (iv) Risk and risk management;
 - (v) Performance management;
 - (vi) Loss control; and
 - (vii) Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and
- (c) Perform such other duties as may be assigned to it by the accounting officer.

1.3. Justification for the Development of the Strategy

Standard 9.2 of the Global Internal Audit Standards requires that –The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the Council, Audit and Performance Committee, senior management and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objective and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function towards the fulfillment of the internal audit mandate.

The chief audit executive must review the internal audit strategy with the Audit and Performance Committee and senior management periodically.

This document describes a different school of thought about the internal audit function so that it is better aligned with, and able to support the priorities and business objectives of the Ngqushwa Local Municipality. The function shall always consider the Municipality's stakeholders and their needs while ensuring the organisation strikes a balance between their objectives, goals and aspirations.

CHAPTER TWO

2. SITUATIONAL ANALYSIS

2.1. Overview

This chapter gives an analysis of the internal and external environment using Strengths, Weaknesses, Opportunities and Threats (SWOT) and Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analytical tools. A stakeholder's analysis is further presented and classified based on interest and influence.

2.2. SWOT Analysis

An evaluation of internal and external environment was carried out to identify the internal audit unit's (IAU) strengths, weaknesses, opportunities and threats. This analysis is meant to enable the IAU to match the external environmental trends (opportunities and threats) with the internal capacities (strengths and weaknesses)

Table 2.1 SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> – Independence and Objectivity: Internal audit is typically structured to report functionally to the or audit committee, and administrative to the Accounting Officer – Policies and procedures are in place and annually reviewed (AC & IA Charter, Risk-based plan, Combined Assurance Framework, Methodology) – Defined and validated audit universe – Competent workforce – Functional Audit and Performance Committee – Quality assurance improvement program (QAIP) is in place – External Quality Review 	<ul style="list-style-type: none"> – Quality assurance compromised within the unit due to inadequate staffing – Limited understanding of stakeholders' expectations – Lack of IT expertise
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> – Automated Audit Tools – IA personnel obtaining professional designations – Retention policy in place to retain talent /skilled employees – Continuous Development Plans – Support from Management – Internal audit talk platforms to sensitize stakeholders on the role of internal audit – Collaborate with internal and external assurance providers 	<ul style="list-style-type: none"> – Late submission of information – Slow resolution of IA recommendations

2.3. PESTEL Analysis

This is an analysis of the Political, Economic, Social, Technological, Environmental and Legal (PESTEL) factors in the external environment of an internal audit unit, which may affect its operations. The main factors that would potentially impact

the internal audit unit's operations were identified, and relevant mitigation strategies developed as shown below:

Table 2.2 PESTEL Analysis

NO	FACTOR	ELEMENT	IMPACT	MITIGATION STRATEGIES
1	Political	<ul style="list-style-type: none"> – Local government policies – Political will – Political shift 	<ul style="list-style-type: none"> – Strong backing can empower audits, while interference may limit effectiveness – New policies or municipal reforms may change audit focus areas. 	<ul style="list-style-type: none"> – Strengthen independence and Audit and Performance Audit Committee support – Regular engagement with AC and municipal manager – Educate leadership on value of objective audits
2	Economic	Budget constraints / Cost cutting pressure	<ul style="list-style-type: none"> – Economic downturns may reduce funding for internal audit staffing, tools, and training. 	<ul style="list-style-type: none"> – Advocate for adequate resourcing – Develop flexible audit plans aligned with economic shifts – Prioritise high risk audits
3	Social	<ul style="list-style-type: none"> – Ethical expectations – Staff morale and organizational ethical culture – Public trust – Changing community needs. 	<ul style="list-style-type: none"> – Increased focus on ethics and corporate governance – Internal staff behaviour affects audit cooperation – Public expectation for transparency – Shifts in demographics or service expectations may introduce new 	<ul style="list-style-type: none"> – Promote ethical culture through training – Strengthen stakeholder communication – Conduct regular ethics and compliance audits – Update the IA plan to address emerging risks.

			risk areas for audits.	
4	Technological	<ul style="list-style-type: none"> – Lack of automated systems – Cybersecurity – Data analytics 	<ul style="list-style-type: none"> – Inaccuracies – Inefficiency – Auditors may lack tech skills – Cyber threats increase need for IT audits 	<ul style="list-style-type: none"> – Recommend automated audit tools – Upskill auditors in data analytics and cybersecurity – Perform regular IT and cyber audits
5	Environmental	<ul style="list-style-type: none"> – Sustainability regulations – Climate change and disaster related risks 	<ul style="list-style-type: none"> – Municipalities face increasing pressure to adopt green practices – Natural disasters can disrupt municipal operations and auditing cycles 	<ul style="list-style-type: none"> – Build capacity to audit environmental compliance and sustainable procurement – Include environmental risk assessments in audit plans, audit disaster preparedness
6	Legal	<ul style="list-style-type: none"> – Inconsistent compliance monitoring 	<ul style="list-style-type: none"> – Non-compliance 	<ul style="list-style-type: none"> – Strengthen compliance and governance audit coverage – Regular legal and compliance trainings

2.4. Stakeholder Analysis

The internal audit unit, in execution of its mandate works with various stakeholders. Various strategies will be put in place to engage all stakeholders and develop mechanisms to enhance collaboration with stakeholders.

The internal audit unit's major stakeholders and their interests are outlined below.

Table 2.3 Stakeholder Analysis

STAKEHOLDER	INTEREST	INFLUENCE LEVEL	STAKEHOLDER EXPECTATIONS	STRATEGIC APPROACH
Municipal Council	<ul style="list-style-type: none"> – Oversight of service delivery – Ensuring governance and accountability 	High	<ul style="list-style-type: none"> – Clear, timely reports on risks and controls – Assurance on financial and operational integrity – Support in improving public trust 	Engage frequently, provide high-level summaries, seek input on risk areas
Audit and Performance Committee	<ul style="list-style-type: none"> – Oversight of internal audit function – Quality and independence of audits – Liaison with Auditor-General 	High	<ul style="list-style-type: none"> – Risk-based audit plans – Independent and objective assurance – Timely and quality reporting 	Engage frequently, provide high-level summaries, seek input on risk areas
Municipal Manager	<ul style="list-style-type: none"> – Operational performance – Compliance with MFMA and legislation – Risk management 	High	<ul style="list-style-type: none"> – Early warning on control failures – Actionable, constructive audit findings – Confidentiality and professionalism 	Engage frequently, provide high-level summaries, seek input on risk areas
Head of Departments & Line Managers	<ul style="list-style-type: none"> – Compliance within departments – Operational improvements – No audit findings 	Medium - High	<ul style="list-style-type: none"> – Fair and accurate audits – Practical and actionable recommendations – Collaboration, not policing 	Maintain regular contact, ensure collaboration, include in planning process
Internal Staff	<ul style="list-style-type: none"> – Process improvement – Audit workload – Role clarity 	Low-Medium	<ul style="list-style-type: none"> – Respectful, clear communication – Supportive, non-threatening audit process 	Communicate audit purpose and outcomes, build awareness, use public

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			<ul style="list-style-type: none"> – Help identifying risks and improving controls – Understanding the role of internal audit unit – Collaboration 	platforms appropriately
National Treasury & COGTA	<ul style="list-style-type: none"> – Compliance monitoring – Funding decisions – Capacity building 	Medium	<ul style="list-style-type: none"> – Compliance with laws, regulations and frameworks – Effective risk management practices – Data for performance evaluations 	Maintain regular contact, ensure collaboration, include in planning process
Auditor General	<ul style="list-style-type: none"> – External assurance – Review of internal audit effectiveness 	Medium - High	<ul style="list-style-type: none"> – Cooperation during external audits – Evidence of a functional internal audit unit – Support in follow-up on AG findings 	Maintain regular contact, ensure collaboration, include in planning process
Community / Public	<ul style="list-style-type: none"> – Transparent governance – Proper use of public funds – Accountability from officials 	Medium	<ul style="list-style-type: none"> – Visible improvement in governance – Accessibility to audit outcomes – Reduction in service delivery issues 	Communicate audit purpose and outcomes, build awareness, use public platforms appropriately
Regulators	<ul style="list-style-type: none"> – Upholding professional standards, ethics, and audit quality 	Medium - High	<ul style="list-style-type: none"> – Compliance with IPPF, independence, auditor competency, and QAIP implementation – Continuous professional development 	Embed IIA principles in audit framework, train staff, and ensure structural independence

CHAPTER THREE

3. STRATEGIC MODEL

3.1. Overview

This chapter outlines the internal audit unit's Vision, Mission and Core Values and how they affect the identification of the result areas and the implementation of the strategic objectives.

Vision

To be a trusted, independent, and strategic partner in promoting good governance, accountability, and service delivery excellence in the Ngqushwa Local Municipality.

Mission

To provide independent, objective assurance and advisory services designed to add value and improve the municipality's operations by evaluating the effectiveness of risk management, control, and governance processes in alignment with municipal objectives and regulatory requirements.

Core Values

To fulfil its mandate in line with the Vision and Mission, the internal audit unit will be guided by the following Core Values:

- Integrity
- Objectivity
- Confidentiality
- Competency

3.2. Key Result Areas, Unit Strategic Objectives and Strategies

For effective implementation of this strategy, the internal audit unit will focus on the following key results areas:

- Staffing
- Enhanced internal audit effectiveness
- Communication
- Improved governance, risk and compliance
- Use of modern techniques and technologies

The unit strategic objectives were developed by breaking down the main objective in terms of the approved Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) which is:

“To provide value-added and trusted assurance, consulting and advisory services to Council by 2026.”

KEY RESULT AREAS	SUB-STRATEGIC OBJECTIVES	STRATEGIES	ACTIVITIES
Staffing	To enhance and build a competent, ethical, and agile internal audit team	<ul style="list-style-type: none"> – To improve the competency of the internal audit staff – To build a fully-fledged internal audit unit 	<ul style="list-style-type: none"> – Provide ongoing professional training – Encourage certification for IA team members – Attending professional conferences and forums – Recruitment of Senior Internal Auditor
Enhanced internal audit effectiveness	To strengthen the internal audit function to provide independent, objective assurance on governance, risk management, and internal controls	<ul style="list-style-type: none"> – To align internal audit plans with strategic risks and priorities – To implement risk-based audit planning – To ensure timely completion and quality of audit engagements 	<ul style="list-style-type: none"> – Develop and annually update a three-year rolling internal audit plan – Conduct performance, compliance, and financial audits as per plan – Implement quality assurance and improvement program (QAIP). – Use automated audit management software
Communication	To improve interaction and coordination with internal and external stakeholders to improve trust and transparency	<ul style="list-style-type: none"> – Create platforms for effective information sharing related to internal audit services accessible by all stakeholders 	<ul style="list-style-type: none"> – Conduct annual stakeholder satisfaction surveys on audit services – Organize internal audit awareness sessions for councillors and officials – Organize seminars on internal audit conversation – Timely circulation of documents – Hold regular one-on-one meetings with the municipal manager and AC Chairperson

Improved governance, risk and compliance	Support the strengthening of governance, risk, and compliance systems through audit insight and monitoring	<ul style="list-style-type: none"> – Monitor implementation of audit and risk mitigation actions – Monitor the FMCMM implementation 	<ul style="list-style-type: none"> – Maintain and track an audit issue register with status updates – Conduct quarterly follow-ups on external and internal audit findings – Assess effectiveness of internal control frameworks across departments – Develop and maintain an internal control dashboard.
Use of modern techniques and technologies	To enhance the efficiency and effectiveness of internal audit system	<ul style="list-style-type: none"> – To automate the system of internal audit – Implementation of internal audit management software (IAMS) – Introduction of computer assisted auditing tools (CAATs) 	<ul style="list-style-type: none"> – Procurement of IAMS and CAATs – Training of internal audit staff on IAMS and CAATs

CHAPTER FOUR

4. IMPLEMENTATION AND COORDINATION FRAMEWORK

4.1. Overview

This chapter outlines the internal audit unit's approach to the implementation of its strategy. It explains the unit's capacity needs and strategies to ensure an effective and efficient internal audit system.

4.2. Implementation of the Strategy

This strategy is envisaged to be implemented within five years and will be monitored to ensure that the strategic objectives are realized. The key elements of the implementation plan will entail the following:

4.2.1 Financial Requirements

The financial projection over the five-year period shows that the internal audit unit activities will require approximately R8,176 000.

Table 4.1. Resource Requirements for Internal Audit Activities*

CLASSIFICATION	BUDGET ESTIMATES (R.'000')					
	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Internal Audit Unit-Based Budget	1,528	2,367	1,781	1,250	1,250	8,176

*These resource requirements do not include employee related costs

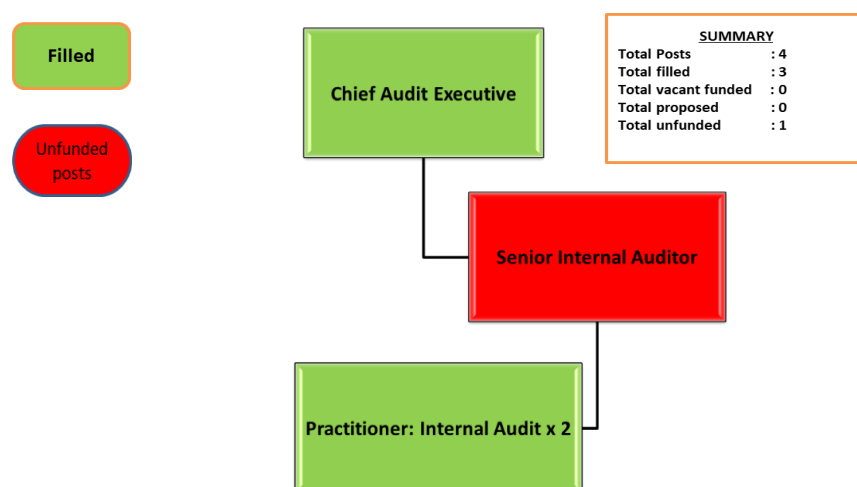
4.3. Human Resources Management and Development

The internal audit unit will continue to build existing staff capacity to effectively execute its mandate.

4.4. Current Staff Establishment

Currently the internal audit unit has a staffing capacity of three against an authorised establishment of four as presented in figure 4.2.

Figure 4.2 Staff Establishment



4.5. Competence Development

This is the systematic enhancement of skills and proficiencies to address career progression of individual employees and improve the internal audit unit performance. During the five-year period, the internal audit unit will implement the skills audit recommendations and on a continuous basis through the quality assessment improvement program conduct staff training assessments and execute appropriate interventions to address the skills gap and training needs through capacity building.

4.6. Internal Audit Structure

The internal audit unit is headed by the Chief Audit Executive (CAE) who reports administratively to the Municipal Manager (MM), and functionally to the Audit and Performance Committee (APC).

CHAPTER FIVE

5. MONITORING, EVALUATION AND REPORTING

5.1. Overview

The successful implementation of this internal audit strategy will depend on how effectively the planned activities and outputs as well as outcomes are monitored and evaluated. The monitoring process will help track whether the implementation is on course and establish the need for adjustment considering the ever-changing environment. This chapter contains the monitoring and evaluation framework and progressive reporting.

5.2. Monitoring Framework

The implementation of this audit strategy and plan will be closely monitored and evaluated to ensure that the strategic objectives are realized as planned. It is envisaged that the AC Chairperson, MM and CAE will carry out continuous monitoring and evaluation meetings where follow-up and control systems will be emphasized.

5.3. Evaluation

The strategy and plan will be reviewed and evaluated annually to ensure it remains relevant, effective, and aligned with the municipality's strategic direction, risks, and changes in the internal and external environment. To evaluate strategic impact, adjust to emerging risks, or realign with shifts in legislation, governance structures, or leadership priorities it will be evaluated on the third year.

5.4. Critical Success Factors

The internal audit has identified some critical factors for the successful implementation of the strategy. They include the tone at the top leadership which is expected to provide the necessary direction, effective communication and management of human resources.



5.5. Progress Reports

Monitoring will be continuous, and an annual report will be prepared which will include information on key output indicators against set targets at the end of each financial year. The report will also highlight key achievements and milestones against set targets, identifying challenges encountered, lessons learnt and recommendations on the way forward.

6. APPROVAL OF THE STRATEGY

The Internal Audit Strategy is submitted for approval to the Audit and Performance Committee and is subject to a periodic review by the CAE in consultation with senior management.

Approved:  _____

Audit and Performance Committee

Date 30 June 2025