

# SOL PLAATJE MUNICIPALITY

## Internal Audit Strategy 2025 to 2029



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# 1. Introduction

The internal audit function within the municipal environment plays a pivotal role in ensuring accountability, transparency, and the effective use of public resources. As municipalities across the globe face increasing scrutiny, evolving regulations, and higher expectations from stakeholders, internal audit teams must adapt and align with best practices to deliver value-added services. This Five-Year Internal Audit Strategy for Sol Plaatje Local Municipality has been designed to reinforce good governance, strengthen risk management, and enhance operational efficiency, particularly considering the adoption of the new Global Internal Auditing Standards (GIAS).

The Global Internal Auditing Standards represent a fundamental shift in how internal auditing is conducted, with a stronger emphasis on risk-based auditing, stakeholder engagement, and continuous improvement. These standards set a new global benchmark for internal audit practices, ensuring that audit activities align with the strategic objectives of the organization while providing independent assurance on the adequacy of governance, risk management, and internal controls.

## 2. Purpose of the Strategy

This Five-Year Strategy aims to guide the Internal Audit Unit in transitioning from a traditional compliance-based audit approach to one that is risk-centric, integrated, and forward-looking. It outlines the roadmap for implementing the new global standards within Sol Plaatje Municipality, focusing on creating a robust audit function that can respond to emerging risks and deliver insights that drive sustainable improvements. By embracing these standards, the internal audit function will enhance its role as a key advisor to management, the Audit Committee, and Council, helping them navigate the complexities of public sector governance and service delivery.

## 3. Key Objectives

The core objectives of this strategy are to:

1. **Align Audit Activities with Strategic Goals:** Ensure that audit priorities are linked to the municipality's strategic objectives and contribute to its success by identifying and mitigating key risks.
2. **Strengthen Risk Management Practices:** Embed a risk-based approach to auditing, ensuring that high-risk areas receive appropriate audit focus, while also providing continuous assurance on control frameworks.
3. **Enhance Audit Quality and Compliance:** Implement the new GIAS framework to improve audit methodologies, ensuring compliance with international best practices, local legislation and municipal policies.

4. Increase Stakeholder Engagement: Foster stronger relationships with key stakeholders, including the Municipal Manager, Council, and operational management, ensuring that audit findings are relevant, actionable, and contribute to improving service delivery.

5. Promote Continuous Improvement and Innovation: Leverage technology and data analytics to enhance audit processes, identify trends, and provide predictive insights that support more proactive decision-making.

6. Develop Audit Talent and Capacity: Invest in the professional development of the audit team to ensure they possess the skills and knowledge required to meet the evolving demands of the new standards.

## 4. Strategic Approach

Over the next five years, the Internal Audit Unit will implement a phased approach to integrating the new standards, beginning with foundational changes in audit planning and methodology, followed by improvements in audit execution, stakeholder reporting, and continuous learning. The strategy will also include monitoring and evaluation mechanisms to ensure that the internal audit function remains responsive to changes in the regulatory environment, municipal priorities, and emerging risks.

By aligning with the new Global Internal Auditing Standards, the municipality aims to reinforce its commitment to accountability, ethical governance, and effective public service. The internal audit function, as a cornerstone of this commitment, will not only provide assurance but also contribute to the transformation and improvement of municipal services, ensuring that the municipality can fulfill its mandate effectively and sustainably.

This strategy sets the foundation for a stronger, more adaptive internal audit function that will safeguard the municipality's interests and enhance public confidence in its operations.

## 5. Mission

The Internal Audit (IA) function will provide independent and objective assurance, advice, and insight to improve governance, risk management, and control processes within the municipality. This aligns with the 2025 Global Internal Audit Standards (effective January 9, 2025) to support public service and organizational excellence.

## 6. Vision (Year 1-5)

By 2029, the IA function will be a trusted partner in enhancing municipal governance, known for delivering value-adding audit services, promoting a culture of accountability, and providing strategic risk insights to achieve the municipality's development goals.

## 7. Strategic Objectives (Aligned with Global Standards)

The Internal Audit function will focus on key strategic objectives over the next five years:

**Objective 1 - Enhance Risk-Based Auditing:** Establish and implement a risk-based audit plan, ensuring resources are focused on the municipality's highest risks, including financial sustainability, service delivery, and emerging risks like cybersecurity and environmental sustainability.

**Objective 2 - Strengthen Stakeholder Relationships:** Build strong, collaborative relationships with the audit committee, council, and senior management to ensure the IA function aligns with municipal strategic priorities.

**Objective 3 - Promote Compliance and Integrity:** Ensure compliance with both local regulations (PSIAS and relevant legislation) and the new Global Internal Audit Standards by January 2025. Focus on ethics, transparency, and promoting good governance through consistent auditing and advisory services.

**Objective 4 - Leverage Technology and Data Analytics:** Enhance the efficiency and effectiveness of the IA function by integrating data analytics, continuous auditing techniques, and audit management software.

**Objective 5 - Support Capacity Building and Professional Development:** Invest in building internal audit capabilities through continuous training, certification programs, and performance management, ensuring the team is well-equipped to meet the evolving needs of the municipality.

## 8. Strategic Pillars (Guided by Global Standards)

To achieve these objectives, the strategy is structured around three key pillars: Foundation, Performance, and Strategic Positioning, each with clear actions and milestones for the IA function.

### **Pillar 1: Foundation (Year 1-2)**

**Focus:** Strengthening internal capabilities and structures to ensure sustainability and compliance with the new standards.

- **Action 1:** Formalise Internal Audit Charter and Policies: Update the IA Charter to reflect the mandate and responsibilities in line with new Global Internal Audit Standards (9.2), ensuring alignment with municipal objectives and stakeholder expectations (*Action completed May 2024*).

- **Action 2:** Resource Management: Implement a robust human resource plan to recruit, train, and retain skilled internal auditors. Establish a competency matrix to identify skill gaps, particularly in financial, IT, and risk-based auditing.

- **Action 3:** Build Data Analytics Capability: Invest in software tools and technology to embed data analytics within the audit process, enabling continuous monitoring and deeper analysis of the municipality's risks.
- **Action 4:** Compliance with Legal Requirements: Ensure adherence to the Public Sector Internal Audit Standards (PSIAS) and local government regulations, with a focus on the Municipal Finance Management Act (MFMA) and the Auditor-General's directives.

## **Pillar 2: Performance (Year 2-3)**

Focus: Driving audit efficiency, quality, and value through KPIs, process improvement, and continuous learning.

- **Action 1:** Implement Performance Management System: Introduce a balanced scorecard approach to measure the IA function's performance against strategic objectives. Key performance indicators (KPIs) will include:
  - Audit plan completion rate (target: 90-100%)
  - Audit committee satisfaction scores (target: 8/10 or higher)
  - Timeliness of audit report issuance (target: 100% within deadlines)
  - Percentage of recommendations implemented by management (target: 90% or higher)
- **Action 2:** Annual Risk-Based Audit Plans: Develop and execute risk-based audit plans, ensuring audit activities are aligned with the municipality's top risks, such as financial controls, governance processes, and service delivery.
- **Action 3:** Develop a Continuous Improvement Program: Establish a Quality Assurance and Improvement Program (QAIP) that includes internal reviews, external assessments, and stakeholder feedback mechanisms.
- **Action 4:** Standardise Audit Methodologies: Update and standardise audit methodologies in line with the Global Internal Audit Standards to enhance audit quality, effectiveness, and consistency.

## **Pillar 3: Strategic Positioning (Year 3-5)**

Focus: Positioning the internal audit function as a strategic partner, influencing decision-making and governance at the highest levels.

- **Action 1:** Strategic Alignment with Municipal Goals: Ensure the IA function supports the municipality's strategic objectives, focusing on areas such as financial sustainability, efficient service delivery, and governance reforms.
- **Action 2:** Strengthen Relationships with Senior Management and Audit Committee: Enhance the frequency and quality of communication with the council, audit committee, and senior management to ensure IA findings and insights contribute to strategic decision-making.

- **Action 3:** Provide Advisory Services: Expand the IA role beyond assurance to include advisory services that assist the municipality in navigating key challenges, such as compliance with evolving regulatory frameworks and risk management.
- **Action 4:** Integrate ESG and Cybersecurity into Audit Plans: Address emerging issues such as Environmental, Social, and Governance (ESG) audits and cybersecurity, ensuring the municipality is prepared for future challenges.

## 9. Key Milestones Over 5 Years

### Year 1-2: Establish a Strong Foundation

- Review and update the IA Charter and audit methodology to align with new global standards.
- Complete a comprehensive skills audit and training plan for the internal audit team.
- Implement technology solutions such as audit management software and data analytics tools.

### Year 2-3: Drive Performance and Continuous Improvement

- Achieve a 90-100% completion rate for the annual risk-based audit plan.
- Conduct external quality assessments to validate conformance with the Global Internal Audit Standards.
- Strengthen KPIs and adopt a balanced scorecard to monitor audit performance and outcomes.

### Year 3-5: Strategic Advisory and Leadership

- Expand the scope of IA activities to include strategic advisory on governance, risk management, and ESG.
- Enhance stakeholder engagement by delivering quarterly risk insights to the audit committee and council.
- Build internal audit's role in supporting key municipal initiatives, such as infrastructure development and financial sustainability.

## 10. Training and Competency Development (Year 1-5)

- **Action 1:** Continuous Professional Development: Ensure all IA staff participate in ongoing professional training to maintain certifications such as Certified Internal Auditor (CIA) and ensure familiarity with new standards.
- **Action 2:** Talent Management and Succession Planning: Develop a succession plan for key IA roles, ensuring leadership continuity and maintaining institutional knowledge.
- **Action 3:** Specialised Training: Provide training on advanced topics such as cybersecurity, environmental auditing, and public-sector governance risks.

## 11. Conformance with Global Standards (2024-2029)

- External Quality Assessment (Every 5 Years): Plan for an external quality assessment by 2027 to ensure full compliance with the new Global Internal Audit Standards.
- Internal Quality Assurance Reviews (Annually): Conduct annual internal reviews to assess conformance and identify areas for improvement.

## 12. Stakeholder Engagement and Communication

- **Action 1:** Audit Committee Reporting: Establish regular reporting to the audit committee, including progress updates on audit plan execution, risk assessment findings, and recommendations.
- **Action 2:** Stakeholder Workshops: Host annual workshops with municipal stakeholders to discuss the IA function's role, emerging risks, and alignment with strategic objectives.

## 13. Budget and Resource Management

- **Action 1:** Financial Resource Management: Develop an annual budget for the IA function, ensuring sufficient funding for staff development, technology investments, and external assessments.
- **Action 2:** Human Resource Optimization: Adjust staffing levels based on the municipality's audit plan needs, ensuring adequate coverage of key risk areas.

## 14. Conclusion

This 5-year internal audit strategy positions the IA function as a key contributor to the municipality's success. By aligning with the new global standards and focusing on continuous improvement, risk management, and stakeholder engagement, the IA function will drive value, enhance governance, and support the strategic goals of the municipality. The strategy will be regularly reviewed and updated to adapt to emerging risks and changing stakeholder expectations.

**Drafted by:**

**Chief Audit Executive**

**Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Noted By:**

**Accounting Officer / Accounting Authority:**

**Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Approved by:**

**Audit Committee Chairperson on behalf of Audit  
Committee:**

**Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_