

By: King

H.B. No. 3666

Substitute the following for H.B. No. 3666:

By: Capriglione

C.S.H.B. No. 3666

A BILL TO BE ENTITLED

AN ACT

relating to the program of internal auditing conducted by state agencies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2102.002, Government Code, is amended to read as follows:

Sec. 2102.002. PURPOSE. The purpose of this chapter is to establish guidelines for a program of internal auditing to assist agency administrators and governing boards by furnishing independent analyses, appraisals, and recommendations about the adequacy and effectiveness of a state agency's systems of internal control policies and procedures and the quality of performance in carrying out assigned responsibilities. The purpose of internal auditing is to strengthen an organization's ability to create, protect, and sustain value by providing agency administrators, management, and governing boards with independent, risk-based, and objective assurance, advice, insight, and foresight ~~[Internal auditing is defined as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes]~~.

SECTION 2. Section 2102.003, Government Code, is amended by

adding Subdivision (1-a) to read as follows:

(1-a) "Advisory services" means consulting and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve an organization's operations without providing assurance or taking on management responsibilities. Advisory services include counsel, facilitation, and training.

SECTION 3. Section 2102.005(a), Government Code, is amended to read as follows:

(a) A state agency shall conduct a program of internal auditing that includes:

(1) an annual audit plan that is prepared using risk assessment techniques and that identifies the individual audits to be conducted during the year; and

(2) ~~[periodic]~~ audits of the agency's major systems and controls, including:

(A) financial ~~[accounting]~~ systems and controls;

(B) operational or administrative systems and controls; and

(C) information technology ~~[electronic—data processing]~~ systems and controls.

SECTION 4. Section 2102.007(a), Government Code, is amended to read as follows:

(a) The internal auditor shall:

(1) report directly to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board;

(2) develop an annual audit plan;

(3) conduct audits as specified in the audit plan and document deviations;

(4) prepare ~~[audit]~~ reports and communicate advisory and assurance services engagement results;

(5) conduct quality assurance reviews in accordance with professional standards as provided by Section 2102.011 and periodically take part in a comprehensive external peer review; and

(6) conduct economy and efficiency audits and program results audits as directed by the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board.

SECTION 5. The heading to Section 2102.008, Government Code, is amended to read as follows:

Sec. 2102.008. APPROVAL OF AUDIT PLAN AND REVIEW OF AUDIT REPORTS ~~[REPORT]~~.

SECTION 6. The heading to Section 2102.0091, Government Code, is amended to read as follows:

Sec. 2102.0091. REPORTS OF ~~[PERIODIC]~~ AUDITS.

SECTION 7. Section 2102.011, Government Code, is amended to read as follows:

Sec. 2102.011. INTERNAL AUDIT STANDARDS. The internal audit program shall conform to the Global Internal Audit Standards ~~[for the Professional Practice of Internal Auditing, the Code of Ethics contained in the Professional Practices Framework]~~ as promulgated by the Institute of Internal Auditors~~[, and generally accepted government auditing standards]~~.

1 SECTION 8. Section 2102.003(4), Government Code, is
2 repealed.

3 SECTION 9. This Act takes effect immediately if it receives
4 a vote of two-thirds of all the members elected to each house, as
5 provided by Section 39, Article III, Texas Constitution. If this
6 Act does not receive the vote necessary for immediate effect, this
7 Act takes effect September 1, 2025.