

## **BILL ANALYSIS**

S.B. 1694  
By: Shapiro  
State Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The Texas Internal Auditing Act (Chapter 2102, Government Code) includes statutory language describing internal audit standards that does not reflect current professional practice and guidance. The purposes of Senate Bill 1694 are to align statutory language with current professional practice and guidelines by providing definitions of internal auditing, assurance services, and consulting services and by modifying the provisions relating to internal audit standards. The bill also requires periodic review of resources dedicated to the internal audit program.

### **RULEMAKING AUTHORITY**

It is the opinion of the committee that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

Senate Bill 1694 amends Section 2102.002, Government Code, to define “internal auditing” 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.

Senate Bill 1694 amends Section 2102.003, Government Code, to define “assurance services” as an examination of evidence for the purpose of providing an independent assessment of risk management, control, or governance processes for an organization. Assurance services include audits as defined in the Act.

Senate Bill 1694 amends Section 2102.003, Government Code, to define “consulting services” as advisory 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. Consulting services include counsel, advice, facilitation, and training.

Senate Bill 1694 amends Section 2102.006, Government Code, by adding Subsection (d), to require the governing board of a state agency, or the administrator of a state agency if the state agency does not have a governing board, to periodically review the resources dedicated to the internal audit program and determine if adequate resources exist to ensure risks identified in the annual risk assessment are adequately covered within a reasonable time frame.

Senate Bill 1694 amends Section 2102.011, Government Code, to require the internal audit program to conform to the 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.

### **EFFECTIVE DATE**

September 1, 2003.