

AN ACT

relating to state agency internal auditing.

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. 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 to read as follows:

Sec. 2102.003. DEFINITIONS. In this chapter:

(1) "Administrator" means the executive head of a state agency.

(2) "Assurance services" means an examination of

1 evidence for the purpose of providing an independent assessment of
2 risk management, control, or governance processes for an
3 organization. Assurance services include audits as defined in this
4 section.

5 (3) "Audit" means:

6 (A) a financial audit described by Section
7 321.0131;

8 (B) a compliance audit described by Section
9 321.0132;

10 (C) an economy and efficiency audit described by
11 Section 321.0133;

12 (D) an effectiveness audit described by Section
13 321.0134; or

14 (E) an investigation described by Section
15 321.0136.

16 (4) "Consulting services" means advisory and related
17 client service activities, the nature and scope of which are agreed
18 upon with the client and are intended to add value and improve an
19 organization's operations. Consulting services include counsel,
20 advice, facilitation, and training.

21 (5) [~~3~~] "State agency" means a department, board,
22 bureau, institution, commission, or other agency in the executive
23 branch of state government.

24 SECTION 3. Section 2102.006, Government Code, is amended by
25 adding Subsection (d) to read as follows:

26 (d) The governing board of a state agency, or the
27 administrator of a state agency if the state agency does not have a

1 governing board, shall periodically review the resources dedicated
2 to the internal audit program and determine if adequate resources
3 exist to ensure that risks identified in the annual risk assessment
4 are adequately covered within a reasonable time frame.

5 SECTION 4. Section 2102.011, Government Code, is amended to
6 read as follows:

7 Sec. 2102.011. INTERNAL AUDIT STANDARDS. The internal
8 audit program shall conform to the Standards for the Professional
9 Practice of Internal Auditing, [~~generally accepted governmental~~
10 ~~auditing standards,~~] the [~~Certified Internal Auditor~~] Code of
11 [~~Professional~~] Ethics contained in the Professional Practices
12 Framework as promulgated by[~~, and the Statement of Responsibilities~~
13 ~~of Internal Auditing of~~] the Institute of Internal Auditors, and
14 generally accepted government auditing standards.

15 SECTION 5. This Act takes effect September 1, 2003.

16 SECTION 6. The importance of this legislation and the
17 crowded condition of the calendars in both houses creates an
18 emergency and an imperative public necessity that the
19 constitutional rule requiring bills to be read on three several
20 days in each house be suspended, and this rule is hereby suspended.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1694 passed the Senate on April 25, 2003, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1694 passed the House on May 23, 2003, by a non-record vote.

Chief Clerk of the House

Approved:

Date

Governor