

1-1 By: Shapiro S.B. No. 1694
1-2 (In the Senate - Filed March 14, 2003; March 20, 2003, read
1-3 first time and referred to Committee on Government Organization;
1-4 April 15, 2003, reported favorably by the following vote: Yeas 6,
1-5 Nays 0; April 15, 2003, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to state agency internal auditing.

1-9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-10 SECTION 1. Section 2102.002, Government Code, is amended to
1-11 read as follows:

1-12 Sec. 2102.002. PURPOSE. The purpose of this chapter is to
1-13 establish guidelines for a program of internal auditing to assist
1-14 agency administrators and governing boards by furnishing
1-15 independent analyses, appraisals, and recommendations about the
1-16 adequacy and effectiveness of a state agency's systems of internal
1-17 control policies and procedures and the quality of performance in
1-18 carrying out assigned responsibilities. Internal auditing is
1-19 defined as an independent, objective assurance and consulting
1-20 activity designed to add value and improve an organization's
1-21 operations. It helps an organization accomplish its objectives by
1-22 bringing a systematic, disciplined approach to evaluate and improve
1-23 the effectiveness of risk management, control, and governance
1-24 processes.

1-25 SECTION 2. Section 2102.003, Government Code, is amended to
1-26 read as follows:

1-27 Sec. 2102.003. DEFINITIONS. In this chapter:

1-28 (1) "Administrator" means the executive head of a
1-29 state agency.

1-30 (2) "Assurance services" means an examination of
1-31 evidence for the purpose of providing an independent assessment of
1-32 risk management, control, or governance processes for an
1-33 organization. Assurance services include audits as defined in this
1-34 section.

1-35 (3) "Audit" means:

1-36 (A) a financial audit described by Section
1-37 321.0131;

1-38 (B) a compliance audit described by Section
1-39 321.0132;

1-40 (C) an economy and efficiency audit described by
1-41 Section 321.0133;

1-42 (D) an effectiveness audit described by Section
1-43 321.0134; or

1-44 (E) an investigation described by Section
1-45 321.0136.

1-46 (4) "Consulting services" means advisory and related
1-47 client service activities, the nature and scope of which are agreed
1-48 upon with the client and are intended to add value and improve an
1-49 organization's operations. Consulting services include counsel,
1-50 advice, facilitation, and training.

1-51 (5) ~~(3)~~ "State agency" means a department, board,
1-52 bureau, institution, commission, or other agency in the executive
1-53 branch of state government.

1-54 SECTION 3. Section 2102.006, Government Code, is amended by
1-55 adding Subsection (d) to read as follows:

1-56 (d) The governing board of a state agency, or the
1-57 administrator of a state agency if the state agency does not have a
1-58 governing board, shall periodically review the resources dedicated
1-59 to the internal audit program and determine if adequate resources
1-60 exist to ensure that risks identified in the annual risk assessment
1-61 are adequately covered within a reasonable time frame.

1-62 SECTION 4. Section 2102.011, Government Code, is amended to
1-63 read as follows:

1-64 Sec. 2102.011. INTERNAL AUDIT STANDARDS. The internal

audit program shall conform to the Standards for the Professional Practice of Internal Auditing, ~~[generally accepted governmental auditing standards,]~~ the ~~[Certified Internal Auditor]~~ Code of ~~[Professional]~~ Ethics contained in the Professional Practices Framework as promulgated by~~[, and the Statement of Responsibilities of Internal Auditing of]~~ the Institute of Internal Auditors, and generally accepted government auditing standards.

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

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

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