

## BILL ANALYSIS

Senate Research Center

S.B. 1694  
By: Shapiro  
Government Organization  
4/1/2003  
As Filed

### **DIGEST AND PURPOSE**

The statutory language describing internal audit standards is not in line with current professional practice and guidance. As proposed, S.B. 1694 aligns statutory standard requirements to reflect current professional practice and guidelines; defines internal auditing, assurance services, and consulting services; and modifies language which may compromise the independence of internal auditing.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 2102.002, Government Code, as follows:

Sec. 2102.002. PURPOSE. Provides that 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. Defines "internal auditing."

SECTION 2. Amends Section 2102.007(a), Government Code, as follows:

Sec. 2102.003. DEFINITIONS. Defines "assurance services" and "consulting services." Makes nonsubstantive changes.

SECTION 3. 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.

SECTION 4. Amends Section 2102.011, Government Code, as follows:

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

SECTION 5. Effective date: September 1, 2003.