

By: King

H.B. No. 3666

A BILL TO BE ENTITLED

AN ACT

relating to global professional standards for internal auditing.

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

SECTION 1. Chapter 2102, 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.~~ The purpose of internal auditing is to strengthen an organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Sec. 2102.003. DEFINITIONS. In this chapter:

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

(2) "Assurance services" means 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 this section.

(3) "Audit" means:

(A) a financial audit described by Section 321.0131;

(B) a compliance audit described by Section 321.0132;

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

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

(E) an investigation described by Section 321.0136.

(4) "~~Consulting~~ Advisory services" means 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 without providing assurance or taking on management responsibilities. Advisory ~~Consulting~~ services include counsel, ~~advice~~, facilitation, and training.

(5) "State agency" means a department, board, bureau, institution, commission, or other agency in the executive branch of state government.

Sec. 2102.005. INTERNAL AUDITING REQUIRED. (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) ~~accounting~~ financial systems and controls;

(B) operational or administrative systems and controls; and

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

(b) In conducting the internal auditing program under Subsection (a), a state agency shall consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts.

Sec. 2102.007. DUTIES OF INTERNAL AUDITOR. (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~~ communicate audit 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

1 results audits as directed by the state agency 's governing board or  
2 the administrator of the state agency if the state agency does not  
3 have a governing board.

4 (b) The program of internal auditing conducted by a state  
5 agency must provide for the auditor to:

6 (1) have access to the administrator; and

7 (2) be free of all operational and management  
8 responsibilities that would impair the auditor 's ability to review  
9 independently all aspects of the state agency 's operation.

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

16 SECTION 2. This Act takes effect September 1, 2025.