



AGENDA MEMORANDUM

Action Item for the Audit Committee Meeting of April 30, 2025

DATE: April 11, 2025

TO: Roland Barrera, Audit Committee Chair

FROM: George Holland, City Auditor
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Motion to recommend approval of an amendment to the City Code Chapter 12½, City Auditor, to enhance the applicable auditing standards

CAPTION:

Motion to recommend approval of an amendment to the City Code Chapter 12 ½, City Auditor, to enhance the applicable auditing standards.

PURPOSE:

Enhancements include clarification regarding auditor access and follow-up reporting timelines per the International Professional Practices Framework (IPPF) standards of the Institute of Internal Auditors.

The enhancement will also satisfy House Bill No. 3666. The bill mandates that state agencies conduct a comprehensive internal auditing program, which includes developing an annual audit plan based on risk assessment and conducting periodic audits of various systems and controls. It specifies that internal auditors must report directly to the governing board or agency administrator and maintain independence from operational responsibilities. Furthermore, the internal audit program is required to conform to the newly established Global Internal Audit Standards, replacing the previous standards set by the Institute of Internal Auditors. The act, if approved by the Texas State Legislature, is set to take effect on September 1, 2025.

BACKGROUND:

Today, a strong control environment has become increasingly important to address various government-related issues and risks. Regulators and key stakeholders don't just want swift corrective action; they want strong **preventive** action.

To objectively evaluate these issues and risks, the City Auditor's access to records and follow-up reporting timelines are important to obtain complete, accurate, relevant, and timely feedback on the City's programs.

During our annual review of City Code Chapter 12½, we noted that further updates were needed to address these issues and risks. The amendment was unanimously approved in the November 12, 2024, Audit Committee Meeting.

The motion was presented to the newly appointed Audit Committee at the March 19, 2025, meeting and was tabled.

ALTERNATIVES:

The Audit Committee may reject all or part of the proposed amendments to City Code Chapter 12½, City Auditor, presented and recommended.

RECOMMENDATION:

The City Auditor recommends that the Audit Committee accept the proposed amendments.

LIST OF SUPPORTING DOCUMENTS:

- City Code Chapter 12½ Redlined Ordinance
- H.B. No. 3666
- Red Book vs. Yellow Book presentation