SLS 18RS-204 ORIGINAL

2018 Regular Session

SENATE BILL NO. 307

BY SENATOR WARD

1

LEGISLATIVE OVERSIGHT. Provides relative to annual certifications by internal auditors. (gov sig)

AN ACT

2	To amend and reenact R.S. 17:3023(B), 3138.6, and 3351(I), R.S. 30:2011(C)(1)(a)(i), R.S.
3	36:8.2(A) and 238(B)(1), and R.S. 47:9009(B)(3), relative to internal auditing; to
4	provide that the chief audit executive shall annually certify conformity with audit
5	standards to the board, secretary, or corporation of the entity being audited, the
6	commissioner of administration, the Legislative Audit Advisory Council, and the
7	Joint Legislative Committee on the Budget; to provide that if the chief audit
8	executive identifies certain significant issues, those issues must be communicated to
9	the board, secretary, or corporation of the entity being audited, the commissioner of
10	administration, the Legislative Audit Advisory Council, and the Joint Legislative
11	Committee on the Budget; to provide for an effective date; and to provide for related
12	matters.
13	Be it enacted by the Legislature of Louisiana:
14	Section 1. R.S. 17:3023(B), 3138.6, and 3351(I) are hereby amended and reenacted
15	to read as follows:
16	§3023. Powers and duties
17	* * *

B. In addition to any other powers and duties authorized by this Section, the board shall establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. The chief audit executive shall maintain organizational independence in accordance with these standards and shall have direct and unrestricted access to the board. The chief audit executive shall annually certify to the board, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. If the chief audit executive identifies significant issues with governance, risk management, or control, those issues must be communicated to the board, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget.

* * *

§3138.6. Internal auditing function of the Board of Regents

In addition to any other powers and duties authorized for the Board of Regents by this Chapter, the board shall establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. The chief audit executive shall maintain organizational independence in accordance with these standards and shall have direct and unrestricted access to the board. The chief audit executive shall annually certify to the board, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. If the chief audit executive identifies significant issues with governance, risk

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1	management, or control, those issues must be communicated to the board, the
2	commissioner of administration, the Legislative Audit Advisory Council, and
3	the Joint Legislative Committee on the Budget.
4	* * *
5	§3351. General powers, duties, and functions of postsecondary education
6	management boards
7	* * *
8	I. In addition to any other powers and duties authorized by this Section, any
9	board with an appropriation in the general appropriation bill of thirty million dollars
10	or more shall establish an internal audit function and shall establish an office of the
11	chief audit executive who shall be responsible for ensuring that the internal audit
12	function adheres to the Institute of Internal Auditors, International Standards for the
13	Professional Practice of Internal Auditing. The chief audit executive shall maintain
14	organizational independence in accordance with these standards and shall have direct
15	and unrestricted access to the management board. The chief audit executive shall
16	annually certify to the management board, the commissioner of administration, the
17	Legislative Audit Advisory Council, and the Joint Legislative Committee on the
18	<u>Budget</u> that the internal audit function conforms to the Institute of Internal Auditors,
19	International Standards for the Professional Practice of Internal Auditing. If the
20	chief audit executive identifies significant issues with governance, risk
21	management, or control, those issues must be communicated to the board, the
22	commissioner of administration, the Legislative Audit Advisory Council, and
23	the Joint Legislative Committee on the Budget.
24	* * *
25	Section 2. R.S. 30:2011(C)(1)(a)(i) is hereby amended and reenacted to read as
26	follows:
27	§2011. Department of Environmental Quality created; duties; powers; structure
28	* * *
29	C.(1) * * *

(a)(i) The executive office of the secretary shall provide for the general oversight and supervision of the department in addition to providing internal audits, technical advisors, and communications. The secretary shall establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. The chief audit executive shall maintain organizational independence in accordance with these standards and shall have direct and unrestricted access to the secretary. The chief audit executive shall annually certify to the secretary, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. If the chief audit executive identifies significant issues with governance, risk management, or control, those issues must be communicated to the secretary, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget.

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Section 3. R.S. 36:8.2(A) and 238(B)(1) are hereby amended and reenacted to read as follows:

§8.2. Internal auditing function

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A. The secretary of a department that includes an agency that has an appropriation in the general appropriation bill or the ancillary appropriation bill of thirty million dollars or more shall establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. The chief audit executive shall maintain organizational independence in accordance with these standards and shall have direct and unrestricted access to the secretary. The chief

administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. If the chief audit executive identifies significant issues with governance, risk management, or control, those issues must be communicated to the board, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget.

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§238. Offices; purposes and functions

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B.(1) The executive office of the secretary shall provide for the general oversight and supervision of the department in addition to providing internal audits, technical advisory support, and communications. The secretary shall establish an internal audit function and shall establish an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. The chief audit executive shall maintain organizational independence in accordance with these standards and shall have direct and unrestricted access to the secretary. The chief audit executive shall annually certify to the secretary, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget that the internal audit function conforms to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. If the chief audit executive identifies significant issues with governance, risk management, or control, those issues must be communicated to the secretary, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the **Budget.**

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	221,000,
1	* * *
2	Section 4. R.S. 47:9009(B)(3) is hereby amended and reenacted to read as follows:
3	§9009. Conduct and administration of lottery games; powers and duties of
4	corporation; authorized contracts
5	* * *
6	B. The corporation shall:
7	* * *
8	(3) Adopt by administrative regulation a system of continuous internal
9	audits. The corporation shall establish an internal audit function and shall
10	establish an office of the chief audit executive who shall be responsible for
11	ensuring that the internal audit function adheres to the Institute of Internal
12	Auditors, International Standards for the Professional Practice of Internal
13	Auditing. The chief audit executive shall maintain organizational independence
14	in accordance with these standards and shall have direct and unrestricted access
15	to the corporation. The chief audit executive shall annually certify to the
16	$\underline{corporation, the \ commissioner\ of\ administration, the\ Legislative\ Audit\ Advisory}$
17	Council, and the Joint Legislative Committee on the Budget that the internal
18	audit function conforms to the Institute of Internal Auditors, International
19	Standards for the Professional Practice of Internal Auditing. If the chief audit
20	executive identifies significant issues with governance, risk management, or
21	control, those issues must be communicated to the corporation, the
22	commissioner of administration, the Legislative Audit Advisory Council, and
23	the Joint Legislative Committee on the Budget.
24	* * *
25	Section 5. This Act shall become effective upon signature by the governor or, if not
26	signed by the governor, upon expiration of the time for bills to become law without signature
27	by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
28	vetoed by the governor and subsequently approved by the legislature, this Act shall become

effective on the day following such approval.

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SB 307 Original

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Martha S. Hess.

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Ward

<u>Present law</u> provides that the Board of Regents, each postsecondary system management board, and any state department that includes an agency that has an appropriation in the general appropriation bill or the ancillary appropriation bill of \$30,000,000 or more shall establish an internal audit function and an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing (audit standards). The chief audit executive is to maintain organizational independence in accordance with these audit standards and have direct and unrestricted access to the secretary.

Proposed law retains present law.

<u>Present law</u> further provides that the secretary of the Department of Environmental Quality shall provide for the general oversight and supervision of the department in addition to providing internal audits, technical advisors, and communications. <u>Proposed law</u> retains <u>present law</u> and further provides that the secretary shall establish an internal audit function and an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the audit standards. The chief audit executive is to maintain organizational independence in accordance with these audit standards and have direct and unrestricted access to the secretary.

<u>Present law</u> provides that the Louisiana Lottery Corporation shall adopt by administrative regulation a system of continuous internal audits. <u>Proposed law</u> retains <u>present law</u> and further provides that the corporation shall establish an internal audit function and an office of the chief audit executive who shall be responsible for ensuring that the internal audit function adheres to the audit standards. The chief audit executive is to maintain organizational independence in accordance with these audit standards and have direct and unrestricted access to the corporation.

<u>Present law</u> provides that the chief audit executive shall annually certify to the board or the secretary that the internal audit function conforms to the audit standards. <u>Proposed law</u> retains <u>present law</u> but further provides that the chief audit executive shall also certify that the audit standards have been met to the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget.

<u>Proposed law</u> further provides that if the chief audit executive identifies significant issues with governance, risk management, or control, those issues must be communicated to the secretary, corporation, or board, the commissioner of administration, the Legislative Audit Advisory Council, and the Joint Legislative Committee on the Budget.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 17:3023(B), 3138.6, and 3351(I), R.S. 30:2011(C)(1)(a)(i), R.S. 36:8.2(A) and 238(B)(1), and R.S. 47:9009(B)(3))