



# SENATE BILL 543: Establish Key Indicators/Internal Audits.

2021-2022 General Assembly

<b>Committee:</b>	Senate Rules and Operations of the Senate	<b>Date:</b>	May 11, 2021
<b>Introduced by:</b>	Sens. McInnis, Edwards, Woodard	<b>Prepared by:</b>	Jonathan Zator
<b>Analysis of:</b>	Second Edition		Committee Counsel

**OVERVIEW:** Senate Bill 543 would establish minimum key performance indicators for internal audits of State agencies, require the North Carolina Council of Internal Auditing (Council) to hire an executive director and administrative specialists, and make appropriations for those positions.

**CURRENT LAW:** The North Carolina Internal Audit Act (Act) requires State agencies to establish a program of internal auditing in compliance with current Standards for the Professional Practice of Internal Auditing (Standards) (G.S. 143-746). The Act created the Council, which consists of the following members: the State Controller as Chair, the State Budget Officer, the Secretary of Administration, the Attorney General, the Secretary of Revenue, and the State Auditor, who serves as a nonvoting member (G.S. 143-747). The Council's responsibilities include the following:

- Promulgate guidelines for the uniformity and quality of State agency internal audit activities.
- Develop internal audit guides, technical manuals, and suggested best internal audit practices.
- Administer an independent peer review system for each State agency's internal audit activity and assist with selection of independent peer reviewers from other State agencies.
- Maintain a database of all internal audit plans; topics for review proposed by internal audit plans; internal audit reports issued and individual findings and recommendations from these reports.
- Require written reports from any State agency relating to any internal audit matter.
- Issue an annual report on service efforts and accomplishments of State agency internal auditors.

**BILL ANALYSIS:** Senate Bill 543 would require the Council to establish minimum key performance indicators or criteria that comply with the Standards, gather and assess the extent to which agencies have met the indicators and criteria, and report its findings annually to the Joint Legislative Commission on Government Operations, beginning October 1, 2022. The head of each State agency would need to ensure the agency's internal audit meets the Council's established indicators. Each agency head would certify to the Council an audit plan was developed and the audit reports were conducted and reported under the Council's internal audit standards (G.S. 143-746(b)).

The bill would allow the Attorney General to appoint a designee to the Council and would add two legislatively appointed members to the Council: one recommended by the President Pro Tempore, and one recommended by the Speaker of the House.

The Council would need to hire an executive director to serve a four-year term. The executive director would be supported by the Office of State Budget and Management (G.S. 143-747(b)). The Council would need to hire two administrative specialists to perform tasks delegated by the executive director.

**EFFECTIVE DATE:** This act would be effective July 1, 2021.

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