

**1. What is the Three Lines of Defense model?**

The Three Lines of Defense is an explanatory model used to help organizations understand and organize the various activities and responsibilities that make up risk management and control. Since responsibility is usually shared across a number of different functions, it is important to have a clear picture to avoid confusion, overlap, and gaps.

**2. What are the “three lines” in the model?**

The central principle of the current model is that within an organization, under the oversight and leadership of the governing body, there are three distinctive groups of functions that collectively share responsibility for aspects of risk management and control:

- First line: management functions are responsible for day-to-day management of operational risks and for implementing effective controls.
- Second line: a number of functions (risk, control, quality, compliance, legal counsel, information security, and others) are responsible for helping management identify, understand, and control risks.
- Third line: internal audit provides independent objective assurance on the effectiveness of risk management and control.

The governing body, senior management, external audit, and regulators also play important roles.

**3. Why is The IIA carrying out a review of the Three Lines of Defense model?**

The model is criticized for not reflecting the present-day realities of organizations. It also focuses solely on defense and value protection without considering the broader context of governance, organizational success, and value creation. It can suggest that the three “lines” operate as silos with clear separation between them leading to inefficiencies and poor alignment. It does not address any so-called “blurring” that often occurs. It can helpfully define internal audit as “the third line of defense” but this can be limiting.

**4. When did the Three Lines of Defense model first emerge?**

The model first emerged over 20 years ago in the financial services sector in the UK.

**5. Who is the Three Lines of Defense model for?**

All organizations can benefit from adopting the principles that underpin the model. It is also of interest to anyone with responsibility for or interest in organizational governance. This includes regulators, investors, policymakers, legislators, and academics.

**6. What changes are being made to the model?**

At this stage, The IIA is consulting on its initial analysis and proposals for enhancing the model. Rather than propose an entirely new model, the exposure document suggests the following approach to refreshing and enhancing the model:

- Expand the focus of the principles that underpin the model to encompass both value protection and value creation.
- Refresh and strengthen the conceptual understanding of the purpose of governance as an enabler of organizational success.

## Three Lines of Defense exposure project: FAQs

- Recognize and allow for flexibility of the model's implementation while highlighting the need for safeguards, especially when internal audit roles are blended with other responsibilities.
- Strongly encourage communication and coordination of activities across the organization to avoid silos.
- Allow for scalability and a maturity approach that recognizes the great differences that exist between organizations of different size, sector, maturity, and so on.

### **7. Will the current Three Lines of Defense model be replaced?**

There is no intention to replace the Three Lines of Defense model. It is widely established and well known. While it has shortcomings, it can also be very useful. The proposals contained in the exposure document amount to a refresh and an update, expanding the scope and deepening the understanding to allow for more considered and flexible application. In the end, organizations and their stakeholders (including regulators) must decide what best fits their needs. The IIA recommends they adopt and adapt the principles of the model to suit their needs rather than the other way around. Greater value can be derived from the model by avoiding the pitfalls that have been identified. While this encourages new ways of understanding and applying the model, it does not invalidate the current version.

### **8. What will this review mean for laws/regulations that have incorporated the existing Three Lines of Defense model?**

As noted in question 7, lawmakers, regulators, policy advisors, and others must determine for themselves the most appropriate way to help organizations serve their stakeholders. The model describes certain valuable approaches and important safeguards that can be used to maximize the effectiveness of governance, including the contribution made by internal audit.

### **9. How can individuals and organizations participate in the consultation process?**

The IIA invites all interested parties and organizations to review the analysis and proposals it has released and provide feedback in response to a survey. Full details are available on [www.theiia.org/3LOD](http://www.theiia.org/3LOD).