Regional Studies Journal
https://regs.uomosul.edu.iq

The Role of the Three Lines Model in Enhancing Internal Audit Quality

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Article Information

Received: 25/5/2025
Revised: 18/6/2025
Accepted: 26/6/2025
Published: 1/7/2025

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Keywords: Internal audit; three lines of defense; executive management; risk management.

Citation: **Citation**: Hamdoon. H. R. & Weli. S. (2025). The Role of the Three-Line Model in Enhancing Internal Audit Quality. Regional Studies Journal. 19(65). 195-216.

Abstract

This study aims to analyze the role of the "Three Lines Model," developed by the Institute of Internal Auditors (IIA), in enhancing the quality of internal auditing. The model is founded on the clear distribution of responsibilities among three main entities: executive management, risk management and compliance functions, and the internal audit department. This structure is designed to ensure effective governance and the achievement of strategic objectives. The research employs a mixed-method approach, combining qualitative and quantitative methods, including a comprehensive literature review, case study analysis, and surveys conducted with auditing practitioners. The findings reveal that the model enhances transparency, reduces conflicts of interest, and increases audit efficiency. However, its implementation faces challenges such as role ambiguity and insufficient resources. To address these issues, the study proposes practical recommendations for activating the model, including clearly documenting roles and responsibilities and utilizing technological tools to support its application.

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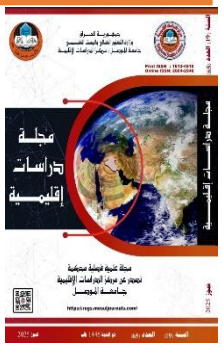

دور نموذج الخطوط الثلاثة في تعزيز جودة التدقيق الداخلي

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معلومات الأرشفة

الاستلام: ٢٠٢٥/٥/٢٥
المراجعة: ٢٠٢٥/٦/١٨
القبول: ٢٠٢٥ /٦/٢٦
النشر الإلكتروني: ٢٠٢٥/٧/١

المراسلة:
حارث راشد حمدون

الكلمات المفتاحية: التدقيق الداخلي؛ خطوط الدفاع الثلاثة؛ الإدارة التنفيذية؛ إدارة المخاطر.

الاقتباس: حمدون. حارث. ر.، والي. سنده. (٢٠٢٥). دور نموذج الخطوط الثلاثة في تعزيز جودة التدقيق الداخلي. مجلة دراسات إقليمية. ١٩ (٦٥). ١٩٥-٢١٦.

الملخص

يهدف هذا البحث إلى تحليل دور "نموذج الخطوط الثلاثة" الذي طوره معهد المدققين الداخليين (IIA) في تعزيز جودة التدقيق الداخلي. ويستند النموذج إلى توزيع الأدوار بين ثلاث منظمات رئيسية: الإدارة التنفيذية، ووظائف إدارة المخاطر والامتثال، والتدقيق الداخلي، لضمان الحوكمة الفعالة وتحقيق الأهداف الاستراتيجية. وقد تم استخدام منهجية بحث مختلطة (نوعية وكمية) بما في ذلك مراجعة الأدبيات وتحليل دراسة الحالة واستطلاعات الممارسين. وتظهر النتائج أن النموذج يعزز الشفافية ويقلل من تضارب المصالح ويزيد من كفاءة التدقيق، ولكن تطبيقه يواجه تحديات مثل غموض الأدوار ونقص الموارد، وتقدم الدراسة توصيات عملية لتفعيل النموذج، مثل توثيق الأدوار واستخدام التكنولوجيا.

DOI: 10.33899/regs.2025.160696.1253,

Introduction

In an increasingly complex business environment and rising operational and financial risks, internal audit has become a key pillar to ensure the stability of organizations. However, many organizations face challenges in achieving the full effectiveness of internal audit due to overlapping roles or poor coordination between the parties involved. The "Three Lines Model" emerges as a framework that defines the responsibilities of executive management, risk management and internal audit teams, with the aim of strengthening governance and raising audit quality. The idea of the Three Lines of Defense model began developing in the early 21st century in response to the growing need for to strengthen corporate governance and improve risk management and compliance, the Three Lines of Defense model came as part of efforts to enhance confidence in corporate operations after several financial crises and organizational missteps that revealed weaknesses in control and risk management systems. Over the past two decades, the Three Lines of Defense model has evolved into a global standard for risk management and governance, this study examines how this model contributes to improving auditing practices, analyzing challenges and proposing solutions.

Importance of the research

The importance of the research comes in filling the research gap on the application of modern governance models (such as the three lines model) in enhancing internal audit quality, and enhancing the theoretical framework of the relationship between corporate governance, risk management and internal control. On the practical side, it provides guidance for organizations to adopt the model to improve internal audit efficiency and enhance the confidence of stakeholders (such as shareholders and regulators) in the effectiveness of control systems.

Research Problem

The lack of clarity of roles between regulatory bodies (such as the first and second line) and internal audit, which leads to duplication of tasks and duplication of efforts, weak independence of internal audit, with audit focusing on operational risks instead of strategy, and the following questions arise from this issue:

1. What is the impact of the three-line model on the independence and effectiveness of internal audit?
2. How does the model improve integration between control units?
3. What are the challenges in implementing the model in organizations?

Research Objectives

The research aims to analyses the conceptual framework of the three-line model and its relationship with internal audit quality, assess the extent to which the model achieves functional separation between the three lines in organizations,

identify factors that enhance or hinder the application of the model, and provide recommendations for improving the design of internal control systems according to the model.

Research Hypotheses:

1. There is a positive relationship between applying the three-line model and increasing internal audit independence.
2. A clear separation of roles between the three lines contributes to reducing redundancy and increasing audit efficiency.
3. Adopting the model improves internal audit's focus on strategic risks.

Research Methodology

1. Type of research: Descriptive-analytical
2. Research tools: Case studies of organizations that have applied the model.

Theoretical Framework

Three Lines of Defense in Business Organizations

Several Governance Frameworks have indicated that the Three Lines of Defense Model is closely related to the Joint Assurance Model (Laloux, 2017; PricewaterhouseCoopers, 2011, 2014, 2016; Gowell, 2018) The Three Lines of Defense is a model used to identify elements of an organization's assurance environment. The model was developed by the Global Audit Office (GAO) in the 1990s. It was later adopted by the Basel Committee on Banking Supervision (KPMG) as a good model for internal control management and the IIA has also adopted the Three Lines of Defense model (Mkhize, IIA, 2019)

Harrington and Piper (2015) conducted the CBOK 2015 Global Internal Audit Practitioner Survey, in business organizations, who are familiar with the three lines of defense model. The study found that 45% and 64% indicated that internal audit operates as a completely separate independent function at the third line of defense in their organizations. However, 19% of respondents who were familiar with the three lines of defense model, and whose organizations had adopted the model, indicated that the separation between second and third line was not clear, or that internal audit operated as a second line of defense (rather than as an independent third line assurance provider). The study concluded that internal audit - as the most important internal control mechanism - is primarily responsible for implementing and monitoring the application of joint assurance.

In the same context, my studies (Anderson and Eubanks, 2015; Eulerich, 2015) concluded that the internal audit (IA) function should collaborate with other internal control functions in the organization, to prevent duplication of effort. Of the three lines of defense, internal audit can play the most important role in coordinating all other control functions, such as the need to collaborate with the external auditor to avoid duplicative audits, and the two studies confirmed that the CA mechanism is very important to solve this issue.

The International Internal Audit Association (IIA) issued the Three Lines of Defense model in 2013 as a global reference as a governance model to understand the relationships between the three lines of defense: (IIA, 2020, 3-4) **The first line of defense:** Operational departments that are responsible for risk and risk management. **Second line of defense**: Departments that have responsibility for risk oversight such as risk management, compliance, quality management, etc. **Third line of defense:** Internal Audit.

In July 2020, the Institute of Internal Auditors (IIA) updated and renamed the Three Lines Model, developed to support organizations in managing risk and achieving their objectives. While the three levels of the Three Lines Model are important for creating a consistent risk management process, the framework is now more collaborative and flexible between roles, with a focus on integrating risk management, compliance and assurance activities, rather than rigidly defining lines of defense.

The unveiled model is more of a natural evolution than a revolutionary treatment of the trusted three lines of defense. However, this is not to say that the changes are minor. (Gowell, Mike, 2018, 12)

One significant change is the increased integration of the governing body into the model. The new model clearly defines the roles and responsibilities of the governing body, as well as executive management and internal audit, and these roles are not limited to risk management but focus on the overall governance of the organization. (WHITEMA, 2022, 9)

Although it is not a governance model, the increased focus on governance supports both value creation and protection and addresses both the offensive and defensive aspects of risk management and addresses one of the main criticisms of the three lines of defense model, namely its primary focus on defense. (Laloux, 2017, 6)

The Institute of Internal Auditors' "Three Lines Model" is similar to the old model, but in contrast aims to define the underlying principles more clearly. At the same time, it provides an explanation of the roles and responsibilities of the most important organizational positions. It serves as a guideline for implementing measures to align the company's objectives with the key interests of different stakeholders.

There is no doubt that the deletion of the word "defense" from the title of the Three Lines Model has great implications for the response of the Global Internal Audit Association to the multiple demands for change, the most important thing that came in this model is the removal of the word "defense" from it, which is the most important characteristic of this change, so the model's title became "The Three Lines Model" instead of "The Three Lines of Defense Model", this change is very important to not restrict the internal audit function and also to strengthen

its advisory role, but the content and content of the model still focuses most of its attention only on defense or maintaining value and largely ignored value creation for the company, knowing that the updated version of the model pointed out that The principles emphasize the role of the individual rather than the operational line. Other key changes emphasize the following: (Mkhize, 2019, 55)

- The importance of good coordination and communication between the different lines of defense.
- The need for a direct relationship between the governing body and the first- and second-line managers.
- Strengthening the direct relationship between the governing body and internal audit in the third line.

The change boils down to focusing the efforts of the three lines on the importance of initiative to achieve the organization's goals but without neglecting the defensive roles. The term lines are still dominant in the model, and the model has focused heavily on the importance of communication and cooperation between the three lines. Some changes have been made in the way they are organized and their relationship with the board of directors or the governance authority so that the lines remain similar in terms of their number and content, but the first and second lines are clearly attached to management, as the model clearly focuses on risk management more than anything else and this is evident in the role of the first and second lines (these two lines represent the role of management or units responsible for providing products, services and support) The third line is represented by internal audit, which provides assurance about the effectiveness of risk management, but the question that the model does not answer is what about the other side of risk management related to opportunities, the correct meaning of risk management is "risk management", which includes dealing with the negative side "risks" and the positive side "opportunities".

One of the main criticisms of the old model:

(a) Focusing on defensive roles only without focusing on adding value from the second and third lines.

(b) Failure to activate the role of the board of directors in contributing to achieving the company's goals and providing support to the three lines.

(c) Failure to emphasize the importance of joint working between the three lines.

The model has also been criticized for focusing too much on defense, adopting a cautious view of risk as something to be mitigated, and ignoring the need for organizations to take risks, seize opportunities and innovate in order to create value and succeed. It has also been argued that the three lines of defense model is inadequate because organizations that provide financial services - such as banks - have specific organizational requirements and characteristics.

The three-line model provides a solid foundation for building and implementing robust corporate assurances and safeguards, including transparency on the effectiveness of governance, risk management, internal audit and control functions. It can be applied to all companies, whether large, medium, small or medium-sized companies, as the main objective of the three-line model is to protect and create long-term value, with reference to the expectations of different groups within the company as follows (Airmic & CIIA, 2023, 4): (Airmic & CIIA, 2023, 4):

1- Accountability of the governing body to stakeholders for regulatory oversight through integrity, leadership and transparency.

2- Actions (including risk management) taken by management to achieve the organization's objectives through risk-based decision-making and resource allocation.

3- Assurance and advice from independent internal audit to provide clarity and confidence and to promote and facilitate continuous improvement through rigorous investigation and insightful communication.

Risk management and internal audit are seen as complementary but distinct, but this does not mean that they should not work together. Successful use of the three lines model requires alignment, communication, coordination, and effective collaboration, with all roles working in harmony. The three lines model has served us well. But for the internal audit profession to mature beyond value protection to also become value creation, we need to build collaborative relationships with our assurance colleagues. The risk frenzy of 2022 demands it. The concepts behind the three lines model have not changed much since it was first introduced as a three-line defense model 20 years ago. Management assesses risks and designs and implements controls on the first line, monitors the effectiveness of risks and controls on the second line, and internal audit provides independent assurance on the third line. As we look to the future, it is time to recognize the model's limitations and chart a clearer course for correcting them. The Institute of Internal Auditors updated the model in 2020. The new version emphasizes the need for 'alignment, communication, coordination and collaboration' between audit and management.

We will not be able to address the complexities imposed by today's chaotic environment of increased risk velocity, volatility and costs unless we embrace our roles as We will only be able to address the complexities imposed by today's chaotic environment of increased risk, volatility, and costs by embracing our roles as collaborative internal assurance and advisory functions. The three-line model as adopted by the Institute of Internal Auditors (2020) includes the following (IIA, 2020,3-4)

Governance roles: integrity, leadership, and transparency

First line roles: delivering products/services to customers and managing risk.

1- Manage and direct activities (including risk management) and use resources to achieve the organization's objectives.

2- Maintain ongoing dialogue with the board of directors and report on planned, actual and expected results related to the organization's objectives and risks.

3- Establish and manage appropriate structures and processes for managing business operations and risks (including internal control).

4- Ensure compliance with legal, regulatory, and ethical expectations.

Secondary roles: Risk management expertise, support, oversight, and challenges

1- Provide complementary expertise, support, oversight, and challenges related to risk management.

2- Provide analysis and reports on the adequacy and effectiveness of risk management (including internal control).

Second line of defense roles: Provide independent and objective assurance and advice on all matters related to the achievement of objectives

1- Ensure fundamental accountability to the board of directors and independence from management responsibilities.

2- Provide independent and objective assurance and advice to management and the board of directors on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of organizational objectives and promote and facilitate continuous improvement.

3- Inform the board of directors of any restrictions on independence and objectivity and implement measures to ensure them.

Therefore, it can be said that the updated three-line model provides a good starting point for understanding the different roles of risk and assurance within an organization. The model emphasizes 'alignment, communication, coordination and collaboration' between management and internal audit, but today's risk environment requires us to go one step further and view collaboration as a real business necessity.

The Three Lines Model identifies **three key areas of responsibility and six principles**. These principles are designed to create a coherent, coordinated, and effective framework for governance and risk management, ensuring that each line's role is clearly defined and that they work together harmoniously to achieve the organization's objectives. (IIA, 2020, 7-9)

The Institute of Internal Auditors' 'three lines model' is similar to the old model, but in contrast, it aims to define the basic principles more clearly. At the same time, it provides an explanation of the roles and responsibilities of key organizational positions. The 'three lines model' serves as a guide for implementing the measures necessary to align the company's objectives with the key interests of various stakeholders. There is no doubt that the removal of the

word ‘defense’ from the name of the Three Lines Model has significant implications for the IIA's response to multiple calls for change. The most notable change in this model is the removal of the word ‘defense’ from its name, which is the most significant feature of this change. The model is now called the ‘Three Lines Model’ instead of the ‘Three Lines of Defense Model’. This change is very important in order not to restrict the function of internal auditing and to strengthen its advisory role. However, the content and substance of the model still focuses mainly on defense or value preservation and largely ignores value creation for the company, even though the updated version of the model states in the introduction that the model helps companies identify structures and processes that help them achieve their goals and facilitate strong governance and risk management. It also states that the model helps companies by focusing on the contribution of risk management to achieving goals and creating value, as well as on matters of ‘defending’ and preserving value. The model still seems to have a narrow view of value defense, as it does not mention how the model helps companies achieve their value creation goals, focusing only on the role of risk management. The most significant change in the ‘three lines model’ compared to the old model is the shift to a principles-based approach. The principles emphasize the role of the individual rather than the operational line. Other key changes emphasize the following: (IIA, 2022, 14-18)

• The importance of good coordination and communication between the different lines of defense.

• The need for a direct relationship between the governing body and the first- and second-line managers.

• Strengthening the direct relationship between the governing body and internal audit in the third line.

The change boils down to focusing the efforts of the three lines on the importance of initiative to achieve the organization’s objectives, but without neglecting their defensive roles. The term ‘lines’ still dominates the model, and I do not know why this idea has been retained and why it has been limited to only three lines, even though the current model, compared to the previous one, suggests that there are only two parties: company management and internal audit. There may be an advantage to the current model in that it focuses on the importance of shared responsibility among all parties in the company with regard to risk management and the achievement of the company's objectives. In the following sections, the three main areas of responsibility are identified, along with the principles most closely associated with them:

1- Accountability: The governing body is accountable to stakeholders for providing oversight and ensuring effective governance. Principles 1 and 2 form an integral part of this key area. **The first principle**, governance, emphasizes the

establishment of appropriate structures and processes to align activities with the organization's objectives, values and interests. This includes setting direction, establishing policies and ensuring that objectives are achieved through effective governance frameworks. **The second Principle**, Governing Body Roles, emphasizes the governing body's responsibility for overseeing governance, risk management and control processes. This includes ensuring that strategic objectives are clear, risks are appropriately managed, controls are effective, and that it is accountable to its stakeholders.

2- Procedures: Management is responsible for implementing procedures, including risk management, and designing and implementing controls and procedures to achieve organizational objectives. **The third principle** emphasizes that management's responsibility includes both first-line and second-line roles. First-line roles involve the direct delivery of products and services to customers and include support functions. Second-line roles assist in risk management. Management must achieve organizational objectives, manage risk, maintain effective internal control within these roles, ensure compliance with laws and regulations, and report on the effectiveness of these controls.

3- Assurance: This area is primarily achieved through internal auditing, which provides independent assurance and advice for continuous improvement. **The fourth principle** of internal auditing requires providing objective assurance about the effectiveness of governance and risk management, using systematic processes, expertise, and insights, while considering other internal and external assurances. **The fifth principle** emphasizes the importance of internal audit independence from management to maintain objectivity and credibility. This independence allows internal audit to provide unbiased assessments and recommendations. Principle 6 highlights the need for alignment and coordination among all roles to ensure that organizational objectives are achieved effectively and efficiently. Internal audit plays a critical role in this by assessing and reporting on the effectiveness of governance, risk management, and internal controls, ensuring that all lines of defense work cohesively toward common goals.

4- Benefits: The three lines model offers numerous benefits, enhancing an organization's ability to manage risk effectively. By clearly defining roles and responsibilities, it provides better coverage of risks and controls. This systematic approach helps identify and refine the set of risks and controls, and appropriately allocate ownership across lines of defense. As a result, organizations can avoid unintended risks and gaps in controls, while also eliminating redundant layers of control, thereby enhancing overall risk management. Improved risk management practices lead to a more flexible regulatory framework that is able to proactively address potential issues. The model also promotes a strong control environment

by separating duties and fostering a strong control culture throughout the organization. This helps identify and mitigate potential conflicts of interest or incompatible responsibilities and ensures effective risk management. In addition, the coordinated approach to reporting improves the quality of information provided to the board of directors and executive management, providing timely and insightful reports that avoid duplication and irrelevance.

Another important benefit is enhanced accountability and assurance. Each line of defense has distinct responsibilities, which not only promotes a culture of accountability but also provides assurance to stakeholders. The model's applicability to any organization, regardless of size or complexity, makes it a versatile tool. Even in organizations that lack a formal risk management framework, the model promotes clarity regarding risks and controls and improves the effectiveness of risk management systems. Evidence suggests that organizations implementing the three lines model experience clearer risk management processes and better overall governance, demonstrating tangible results in enhancing organizational resilience and performance.

5- Challenges and considerations: However, the models face several challenges and considerations. Effective coordination and communication between the three lines are essential for the model to function properly. Allocating sufficient resources and ensuring that each line has the necessary skills and expertise is critical to maintaining strong risk management and control systems. In addition, the model must be subject to regular review and adaptation to address emerging risks and changes in the organization's environment. Despite these challenges, both models are widely used in many industries, strengthening risk management and internal control systems. Furthermore, the rebranding to the three-line model emphasizes the need for flexibility, collaboration and continuous improvement in risk management practices, which is a vital aspect of the modern organization.

The revised model is based on the following six principles: (IIA, 2020, 12-14)

• **Principle 1 – Governance:** Governance of the organization requires appropriate structures and processes that enable accountability and the necessary actions to achieve and ensure the organization's objectives.

• **Principle 2 – Roles of the Governing Body:** The governing body ensures that appropriate structures are in place for effective governance. This includes appropriate oversight and alignment with stakeholder requirements.

• **Principle 3 – Management and First and Second Line Roles:** Management's responsibility for achieving the organization's objectives includes the roles of the first and second lines of management. The first line roles are aligned with the delivery of products or services to the organization's customers and also include support functions. The second line roles provide assistance in managing risk.

• **Principle 4 – Third-line roles:** Internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. In doing so, it may take into account other internal and external service providers.
• **Principle 5 – Third-line independence:** The independence of internal audit from management is critical to its objectivity, authority and credibility.
• **Principle 6 – Creating and protecting value:** All roles working together collectively contribute to creating and protecting value when they are aligned with each other and with the priority interests of stakeholders. Communication, cooperation, and teamwork are essential here.
In short, the goal of these principles is to improve personal accountability and shift the focus to the individual's role within the three lines.

The Three Lines Model as an Opportunity for Improvement (Airmic & CIIA, 2023, 9)

The reformulated Three Lines Model offers a variety of opportunities for improvement:
• Exchange and guidance, increasing active and collaborative exchange, giving and receiving feedback, and developing based on feedback received.
• Collaboration, with all roles involved working closely together.
• 'Compliance by design' and a constant focus on implementing business objectives, seeking the best way to achieve them.
• Innovation: addressing issues creatively and using new technologies.
• (Partial) automation of typical second line activities and some first line compliance activities.
• Coordinate and design processes to ensure a good understanding of responsibility for the design of risk management processes.
As a multidisciplinary field, risk management covers all roles of the 'three lines model'. The first and second lines identify, assess, address and monitor risks, while the third line closely and independently monitors the activities of the first and second lines. At the same time, corrective measures and associated roles are separated to ensure better traceability and facilitate collaboration across the entire organization.

Further development of the three-line model (Mkhize, 2019, 55)

The 'three-line model' does not constitute a fundamental change to the three lines in the old model, but rather a series of improvements to enhance it. While there may be no need to update key processes, there may be changes in reporting lines once roles, responsibilities and accountability are clarified. Here are some of the most important considerations:
• Clarify all roles, responsibilities and accountability for all roles, including potential conflicts.

• Update responsibility plans. If responsibility for a senior management function is divided, the specific responsibilities of each individual must be clearly defined and understood.
• Integrate and shift to first- and second-line risk management by clarifying and increasing awareness, thereby improving security, coverage, and transparency.
• As in the old model, risk managers cannot provide guarantees, so independent assessment may be necessary. A basic assessment of responsibilities, potential obstacles, and any conflicts with existing structures helps to ensure a smooth transition to the updated 'three lines model.'

Principles or tasks (Airmic & CIIA, 2023, 9)

The current model is divided into four parts: principles, roles, relationships and application, based on six principles: **Principle 1:** Governance; **Principle 2:** Roles of the governing body; **Principle 3:** Roles of management and lines 1 and 2; **Principle 4**: Roles of line 3; **Principle 5:** the independence of the third line, and **Principle 6:** creating and maintaining value. Looking at the titles and contents of the principles, one sees that they are only roles and responsibilities and do not rise to the level of principles. This applies to Principles 2, 3, and 4. As for Principle 1, 'Governance,', governance is not a principle but a concept that encompasses many practices. The definition of 'governance authority' does not indicate that it must be the highest authority in the institution. One of the gaps in the new model is the replacement of the words 'board of directors' or 'audit committee,' which were explicitly used in the first model, with the words 'governance authority' only.

The role of the board of directors has also been significantly enhanced through receiving information and reports from the three lines and providing the necessary support to all lines in terms of supervision, guidance and ensuring the achievement of institutional objectives. Perhaps the most important change in the initiative is the strengthening of the role of corporate risk management in participating in operational roles that are greater than its previous role in overseeing risk management tasks.

In the new update to the three lines model, risk management has been placed explicitly under the management of the institution, unlike its separate existence in the first model. The model includes a new term, 'risk-based decision-making,' but this term is not accurate, as we know that internal audit does not participate in decision-making, and if there is participation, it affects its independence. Strangely, the model does not take this into account! However, the model may have been correct when it clarified in the sixth principle that all roles work together to contribute to creating and maintaining value when they are aligned with each other and consistent with the priority interests of stakeholders, and achieve alignment through communication, synergy and cooperation, which will

ensure the reliability, coherence and transparency of the information needed to make risk-based decisions. Another important point is that if the model serves to create value for companies, why did the author mention 'risk-based decision-making' among the key terms in the model and ignore decisions based on opportunities and value creation?

Regarding the fifth principle, "independence" it expresses a functional position and administrative subordination, and independence here does not mean 'isolation.' The term was used to refer to the importance of the internal auditor's interaction, engagement, and cooperation with other lines of business in order to better understand the organization's operations and risks and to play a more important proactive role in adding value and contributing effectively to the achievement of the organization's objectives.

The last principle, "creating and sustaining value" is a goal that must be achieved, not a principle that companies must adhere to. So why were these principles chosen, which offer no new value, and why was the application of the model to the company as a whole, with its three lines, ignored? It would have been better to formulate the principles in a way that reflects what companies of all types aspire to commit to, serves them, and highlights the purpose of this model. It would have been better to replace these principles with others such as leadership, sustainability, responsibility, and transparency and accountability.

This change requires internal audit departments, which have roles in risk management, to take a pause to review these roles very carefully and ensure that they do not overlap in any way with any administrative or operational role. It is necessary to treat the updated three-line model as a comprehensive model for corporate governance and management, rather than a partial model that addresses only the role of internal audit and risk management.

What is striking about the model is that it focused its attention on the roles of the lines and limited itself to coordination, harmonization, communication and cooperation between them, neglecting a fundamental aspect, which is business integration and its importance. This is considered a higher level of maturity than mere coordination, harmonization and cooperation, as business integration may be one of the capabilities for creating value, although the Institute of Internal Auditors has pointed out in its practical guidelines the importance of coordination and reliability among different assurance service providers and their shared role in communicating insights on governance, risk management, and control to the company. So, was updating the model really useful, or does it need to be updated again to reach the level expected by different stakeholders? In addition, the main definitions did not include a definition of external assurance service providers, limiting themselves to referring to their role, which is limited to meeting legal expectations that protect the interests of stakeholders and

meeting the requests of management and the governing authority to support internal assurance sources. It should be noted that the wording of the model and the texts selected are difficult to understand for those outside the internal audit profession and may be misunderstood. Is this model intended for internal auditors only? If so, there is no need for such a model, as the standards, principles and guidelines are sufficient. It is clear that the model is written in a way that is only directly understandable to internal auditors, who are sufficiently familiar with the meanings of the terms used, even though it assigns roles to the company's management, represented by the first and second lines. It appears that the Institute of Internal Auditors has entrusted the task of marketing the model to internal auditors to explain its contents to the first and second lines and even to the governing authority of the company. Therefore, it might be better if it were drafted more clearly, especially for those who read it and do not have sufficient knowledge of the internal audit profession. As internal auditors, we know that many of those working in the first and second lines may not have sufficient knowledge of internal auditing.

The question that remains to be answered in the future is, 'Will this amendment reduce the reliance of regulators and external auditors on the results of internal audits?'

Finally, if this model is to succeed, it is essential to seek the opinion of experts in the fields of investment and strategic planning. They are more knowledgeable about value creation and have a different perspective from that of internal auditors. This perspective is very important for balancing value preservation and value creation, given that the current model is still based on defense despite the removal of this word. Ultimately, we must ask: Does the three-line model really serve internal auditing and the company? Or is it just a vague position paper from the Institute of Internal Auditors that adds nothing new to the internal auditing profession?

The relationship between the three lines of defense and internal audit standards

The three lines of defense and internal audit standards are interrelated concepts in risk management and good governance. The three lines of defense are a model that illustrates the different roles and responsibilities in risk management and control, while internal audit standards are a set of guidelines that define how the internal audit function should be performed. The three lines of defense enhance the effectiveness of internal audit by:

First line of defense: 1. Employees and executive management: Responsible for implementing daily operations and activities and ensuring compliance with established policies and procedures. 2. Internal audit role: Evaluating the effectiveness of controls and processes implemented by the first line of defense.

Second line of defense: 1. Risk management and compliance: Monitoring risks and compliance with policies and procedures, and providing guidance and advice to employees. 2. Role of internal audit: Evaluating the effectiveness of risk management and compliance, and ensuring that policies and procedures are properly implemented.

Third line of defense: 1. Internal audit: Providing an independent assessment of the effectiveness of internal control and risk management. 2. Internal audit role: Providing recommendations to improve internal control and risk management, and assessing the effectiveness of the first and second lines of defense.

Internal audit standards related to the three lines of defense

1. Standard 2000: Nature of the internal audit profession.
2. Standard 2100: The nature of internal auditing and risk assessment.
3. Standard 2200: Internal audit planning.

Benefits of integrating the three lines of defense and internal audit standards

1. Strengthening internal control: Through continuous assessment of processes and controls.
2. Improved risk management: By effectively identifying and assessing risks.
3. Improved transparency and accountability: Through accurate and independent reporting on the effectiveness of internal control.

As for internal audit quality standards, they are a set of standards that define the quality requirements for internal auditing. These standards include:

Internal audit quality standards

1. Independence: Internal auditing must be independent of management and operations.
2. Objectivity: Internal auditing must be objective and unbiased.
3. Professionalism: Internal auditors must be professional and specialized.
4. Confidentiality: Internal auditing must maintain the confidentiality of information.
5. Compliance with standards: Internal auditing must comply with professional standards.

Internal Audit Quality Standards from the Institute of Internal Auditors (IIA)

1. Standard 1000: Purpose, Authority, and Responsibility.
2. Standard 1100: Independence and objectivity.
3. Standard 1200: Professionalism and competence.
4. Standard 1300: Quality assurance and improvement programmed.

How to apply internal audit quality standards

1. Develop clear policies and procedures for internal auditing.

2. Train internal auditors: on the necessary standards and skills.
3. Evaluate internal audit performance: regularly.
4. Comply with professional standards: such as the Institute of Internal Auditors (IIA) standards.

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A more strategic role for internal audit in areas of future importance

CIPFA conducted an extensive survey of internal auditors and their public sector clients to gain a better understanding of the current state of internal audit in the UK and abroad. The survey received a strong response, with 831 replies, and a series of roundtable discussions was also held. The results form the basis of the report 'Internal Audit: Untapped Potential'. The research concludes that when internal audit works effectively, it supports the organization in achieving its objectives. However, this is not the case everywhere, and the report identifies areas where the potential impact of internal audit is not being maximized. The report recommends that internal audit take on a more strategic role in areas of future importance, which may be outside its traditional scope, if it is to have a real impact on the organization. Of course, audit professionals cannot be expected to become experts in areas such as cybersecurity and climate change, but they are able to provide independent assurance,

critical analysis and strategic advice, promote transparent decision-making, establish good governance arrangements and help mitigate risks in all these areas. That is why it is essential that audit professionals themselves keep pace with change. Organizations must invest in the continuous development of their internal audit teams' skills through lifelong learning and continuous professional development, exposing them to areas of strategic importance. If internal audit is to keep pace with the pace of change in the organization, it starts by equipping these teams with the skills they need. The report presents four key conclusions for increasing the impact of internal audit (Whiteman, 2022, 3):

1- Successful organizations need strong and effective management and governance, including a good understanding of their assurance needs.
2- Internal audit managers need to become better advocates for their teams and promote the contribution of internal audit throughout the organization. In this way, managers and clients will better understand its impact.
3- Internal audit must remain independent to maximize its impact in the organization, and a direct reporting line to the leadership team is vital.
4- Any discussions about public sector policy issues, such as funding, sustainability or cybersecurity, should recognize the importance of assurance. This will help raise the profile of internal audit clients.

Conclusions: This paper summarizes the most important findings of the researcher as follows:

- Internal auditing is a tool for providing senior management with all the information necessary for decision-making, as well as providing them with all the information on the efficiency and effectiveness of the internal control system used.
- For organizations that have not used such a model before, the dissemination of the three lines model may encourage audit committees to reassess their current approach to fulfilling their oversight duties with regard to risk and control. They may also conclude that they need a more detailed understanding of the strengths and weaknesses of the various components of the organization's risk and control structure and how they interact. Internal audit heads may be asked to take the lead in providing this.
- The results of this study can have significant implications for senior management in identifying risks related to organizational governance policies, processes and structures, and recommending to the board of directors' improvements in the methods used to manage risks associated with the company's policies and processes.
- Good public financial management is at the heart of delivering and improving essential public services, while ensuring value for money. Strong internal audit can help facilitate this. By working together, organizations and chief audit executives can better prepare for an increasingly uncertain future.

Recommendations: In light of the findings, we can propose the following recommendations

- Expand the scope of internal auditing from its traditional role of financial auditing to a new role of management auditing and contributing to value creation through risk management support, which represents a major challenge for companies in general and internal audit departments in particular.

- All survey results from the American Institute of Internal Auditors and other internal audit institutions after the global crisis showed increased efforts to assess the effectiveness of risk management by all internal audit departments.
- Internal auditing has a bright future, even though the world is going through a particularly uncertain period and the assurance requirements for organizations are changing rapidly. As a result, internal auditing can still have a significant impact and add value, but to do so, it must keep pace with change.
- Future research could address the external auditor's reliance on the three lines model in developing a model for periodically examining the roles of the internal auditor, senior management, the board of directors, and committees. It could also address the assessment of the governance structure and the impact of the organizational structure and culture on the overall control environment and risk management strategy. Our findings help companies determine whether there is a particular challenge and which specific factor may be the most influential.

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