The Three Lines Model

Every organisation has to manage risk while it pursues its goals, and many people share that task. The Three Lines Model, published by the Institute of Internal Auditors in 2020, explains who does what. It updated the older Three Lines of Defense model, and it puts more weight on creating value, not only on protection. The model has a governing body, management with a first and a second line, and internal audit as the third line. We can follow four parts: the governing body, management, internal audit and working together.

1. The Governing Body

The governing body, such as a board of directors, is accountable to stakeholders for oversight of the organisation. It sets the direction and the values, and it makes sure that the organisation acts with integrity and openness. It delegates the work of delivering the goals to management and provides the resources. It also receives independent assurance from internal audit about how well things are working.

Example: A school board is responsible to parents and the community for the school. Applying The Governing Body, it sets the vision and values, and asks the head teacher for regular reports.

At work: Farid is chief executive of a pharmacy chain. Applying The Governing Body, he reports to the board, which sets the chain's values and approves its goals. The board asks for regular reports and independent assurance.

2. Management: First and Second Lines

Management leads the work that delivers products and services, and it manages the risks that come with it. First line roles work directly with customers and operations, and they own the day-to-day risks. Second line roles provide expertise, support, monitoring and challenge on risk-related matters, for example through risk management or compliance functions. In the model, the first and second lines can be combined or separated, depending on the organisation.

Example: In a restaurant kitchen, the chefs check temperatures and hygiene as they cook. Applying Management: First and Second Lines, a food safety adviser sets the standards and checks that the kitchen follows them.

At work: In Farid's pharmacies, store managers handle expired medicines and customer safety every day. Applying Management: First and Second Lines, the compliance team writes the rules and monitors how stores follow them. When it finds gaps, it challenges the stores to fix them.

3. Internal Audit: The Third Line

Internal audit is the third line. It provides independent and objective assurance and advice on how well governance and risk management are working. Its independence from management's

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responsibilities is the key to its value, because it can report honestly to the governing body. It does not run operations, so it can look at them with fresh eyes.

Example: A football referee watches the match but does not play. Applying Internal Audit: The Third Line, the referee's independence makes the decisions credible.

At work: Farid's internal audit team reviews how store controls and compliance checks really work. Applying Internal Audit: The Third Line, it reports its findings to the board, not only to Farid. The board can then trust the picture.

4. Working Together

The lines are not separate boxes that never meet. The model says that the governing body, management and internal audit should align their work and communicate regularly. The independence of internal audit is protected, but cooperation is encouraged. External assurance providers, such as external auditors and regulators, can add further views. The aim of the whole model is to help the organisation achieve its goals and to protect and create value.

Example: A hospital has doctors, safety officers and inspectors. Applying Working Together, they share findings so that patients are safer.

At work: Farid holds a quarterly meeting with store managers, the compliance team and internal audit. Applying Working Together, they share the main risks and avoid duplicate checks. Internal audit keeps its independence while using the same risk list.

Conclusion

In summary, the Three Lines Model explains the roles of the governing body, management and internal audit. The governing body is accountable, management delivers and manages risk with first and second line roles, and internal audit gives independent assurance. The Institute of Internal Auditors first published the model in 2020 and updated it in a 2026 Statement of Position. When the lines work together well, the organisation can reach its goals and protect and create value.

Sources

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