

DIIR – Deutsches Institut für Interne Revision e.V. Theodor-Heuss-Allee 108 60486 Frankfurt am Main

To  
The Institute of Internal Auditors  
Global Headquarters  
Francis Nicholson  
Managing Director of Global Advocay

Ladies and Gentlemen of the Working Group, dear Mrs. John,

Frankfurt am Main  
September 6, 2019

We would like to thank you for the opportunity to contribute to the further development of the Three Lines of Defense Model and for the opportunity to comment on the IIA Exposure Document "Three Lines of Defense". Many of our members have already participated in the online survey and presented their personal views or the views of their companies. Nevertheless, we would like to make an overall statement from the perspective of the national Institute in Germany (DIIR, IIA Germany).

The following points are important to us:

- The Three Lines of Defense model is - especially since its publication in the IIA Position Paper in 2013 - very valuable and relevant within the global internal auditing community. The TLOD is actually well established in Germany, especially among financial service providers and has a high level of acceptance. Consequently we and the majority of our members see little need for change.
- The model uniquely enables the visualization of what constitutes the special role of internal auditing within the framework of good corporate governance, namely independence. Questioning the independence of internal auditing endangers the long-term existence of the auditing function in companies and thus the entire profession. This cannot be in the spirit of the IIA.
- We do not really understand the criticism of the model. A repositioning of the model as a whole does not seem necessary to us because the model can already be applied flexibly – in connection with Standard 1112 and the safeguards mentioned there to ensure the independence of internal auditing. The model is widely accepted and, due to its simplicity, understood by all parties involved. A softening of the central statement (i.e. the independence of the internal audit) endangers the independence. Adjustments that do not restrict the basic statement are welcome.

- In any further development of the model, we therefore should give safeguarding the independence of Internal Auditing the highest priority. In Germany in particular, we accept the reality in our member organisations, where a variety of approaches to Combined Assurance are used to attempt making corporate governance functions more effective and efficient overall. However, combined assurance is already possible today based on the IIA guidelines. As early as 2015, the IIA provided helpful information on this subject in the paper "Combined Assurance: One Language, One Voice, One View" and dealt with the topic in a meaningful manner.

If the fundamental statement of the model (independence of the internal audit) is maintained, we would like to make the following suggestions for the further development of the model:

- We would welcome a visualization that shows the flexibility, exchange and allowed overlaps between the lines while retaining the attributes that made the original version so easy to use. If this ambiguity cannot be resolved in one visual representation, we would encourage thinking about employing more than one visualization in order to highlight different aspects of the model:
  - To highlight the opportunities for a more flexible and agile adoption of the model.
  - To account for and explain "blurring of the lines" and describe appropriate safeguards.
  - To emphasize the importance of coordination and collaboration aligned to strategic priorities and operational needs.
- It would be desirable to illustrate the advisory function of Internal Audit.
- External stakeholders could also be taken into account.
- An "application guide" could explain how the model can be flexibly adapted according to company requirements or understanding of governance (as already provided for in Standard 1112).

Yours sincerely

DIIR – Deutsches Institut für Interne Revision e.V.

Bernd Schartmann, CIA CRMA  
board spokesman

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deputy board spokesman