

INTERNAL AUDIT  
PERSPECTIVES SUBJECT:

# AGILITY AND RESILIENCE: OPTIMIZING THE THREE LINES MODEL FOR MODERN CHALLENGES



L'Institut des auditeurs internes  
The Institute of Internal Auditors  
Montréal, Québec, Canada

80  
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# Introduction

The Three Lines Model, developed by the Institute of Internal Auditors (IIA) in 2013, is a cornerstone of governance and risk management. Updated in 2020 to reflect modern practices, it promotes optimal collaboration and communication within organizations. This model is divided into three lines: the first includes operational functions managing daily risks, the second encompasses support and oversight functions such as compliance and integrated risk management, and the third is dedicated to internal audit, ensuring the effectiveness of controls and processes. In this article, we explore with Bruno Marcil, Vice President – Internal Audit, how this model serves as a lever for organizational agility, with internal audit playing a central role in its adoption and optimization.



Bruno Marcil,  
FCPA, CPA•TI, CITP, CISA,  
CISM, CRISC, CRMA

## Biography

Bruno Marcil, Vice President of Internal Audit at Hydro-Québec since 2021, has over 30 years of experience across various sectors, including public and parapublic enterprises. He is recognized for his visionary leadership and ability to create or realign several cutting-edge internal audit and enterprise risk management business units, implement automated audits, and integrate artificial intelligence into his practices. As a pioneer in technological auditing, he co-founded a business analytics group and contributed to the creation of a university program on IT governance and security. In 2023, he was honored with the title of Fellow CPA (FCPA) and holds several professional certifications, underscoring his commitment to excellence in auditing and risk management.

# Interview

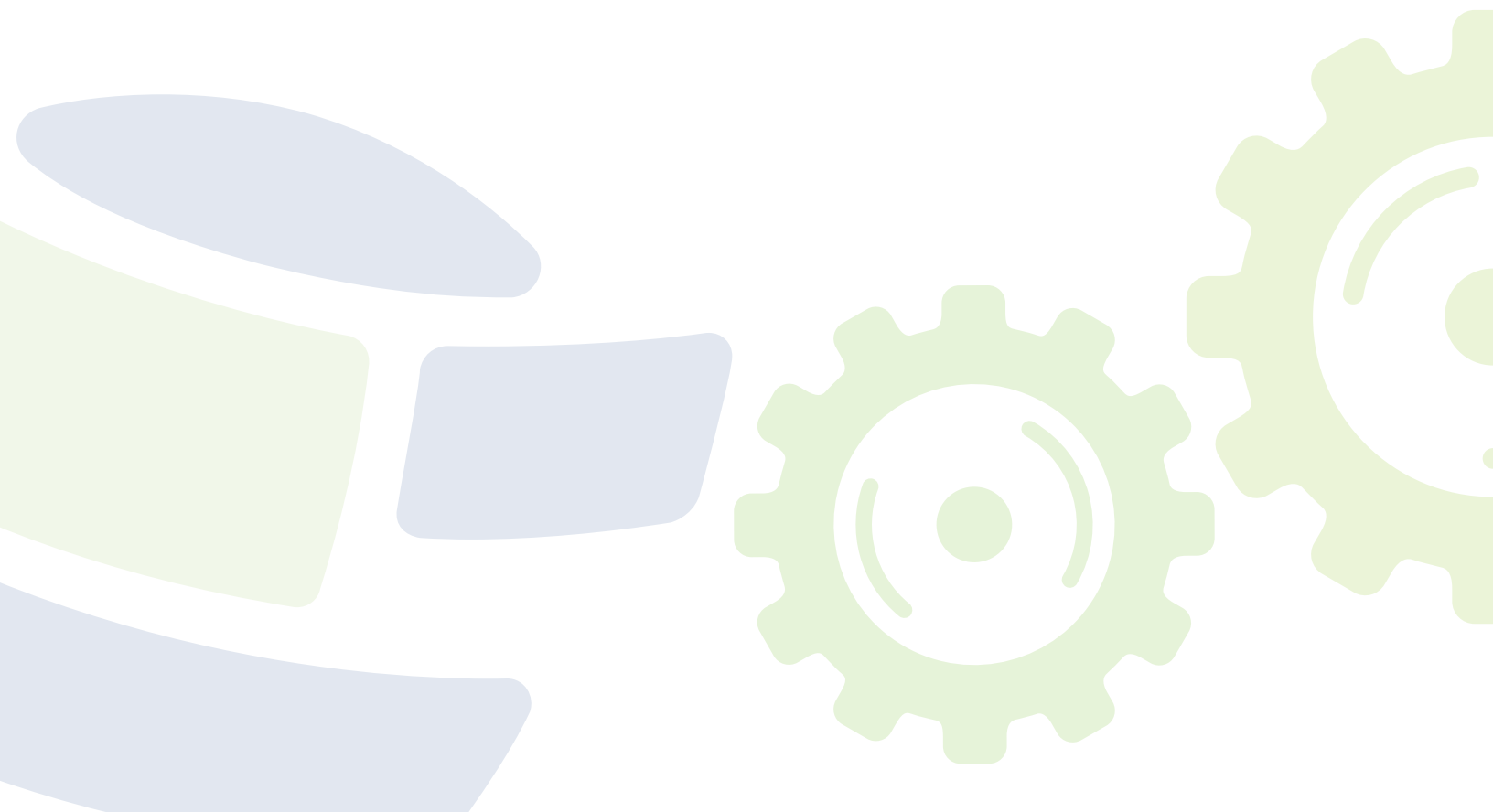
## 01 How has the Three Lines Model evolved in response to modern challenges in risk management and assurance functions, particularly with the increasing discussion around «connected risks»? Could you share your insights on this progression?

The Three Lines Model can be a relevant tool in our constantly changing environment. With the rapid evolution of risk environments, particularly those related to geopolitics, digital technologies, cybersecurity, and ESG criteria, organizations must be not only agile but also proactive. The concept of «connected risks» is crucial as it highlights the interdependence of risks across different organizational units. This requires openness, collaboration between different units, and an integrated approach. Depending on the size or structure of the organization, internal audit can influence or play a role in promoting ownership, identifying, and connecting these risks for more coherent management.

Technological innovation is making its way into the Three Lines Model. Its use is not essential; however, advanced tools like software integrating governance, risk management, and compliance can be very useful in coordinating the work of

the lines and helping organizations achieve their objectives, face uncertainty, and act with integrity. Artificial intelligence and data analysis, on the other hand, enable continuous monitoring and quicker identification of emerging risks. The three lines can then leverage these technologies for enhanced, more precise, and strategic insights, thereby strengthening the organization's ability to anticipate and respond to threats.

In summary, the Three Lines Model is flexible. It evolves, in my opinion, to reflect these new realities. Organizations have the opportunity to adjust the model according to their specific needs and organizational structure. There is not just one way to do it, but a continuum of alternatives. Small organizations can adopt agile solutions, medium ones can structure their approaches while remaining flexible, and large ones can integrate robust systems to manage risks on a large scale.



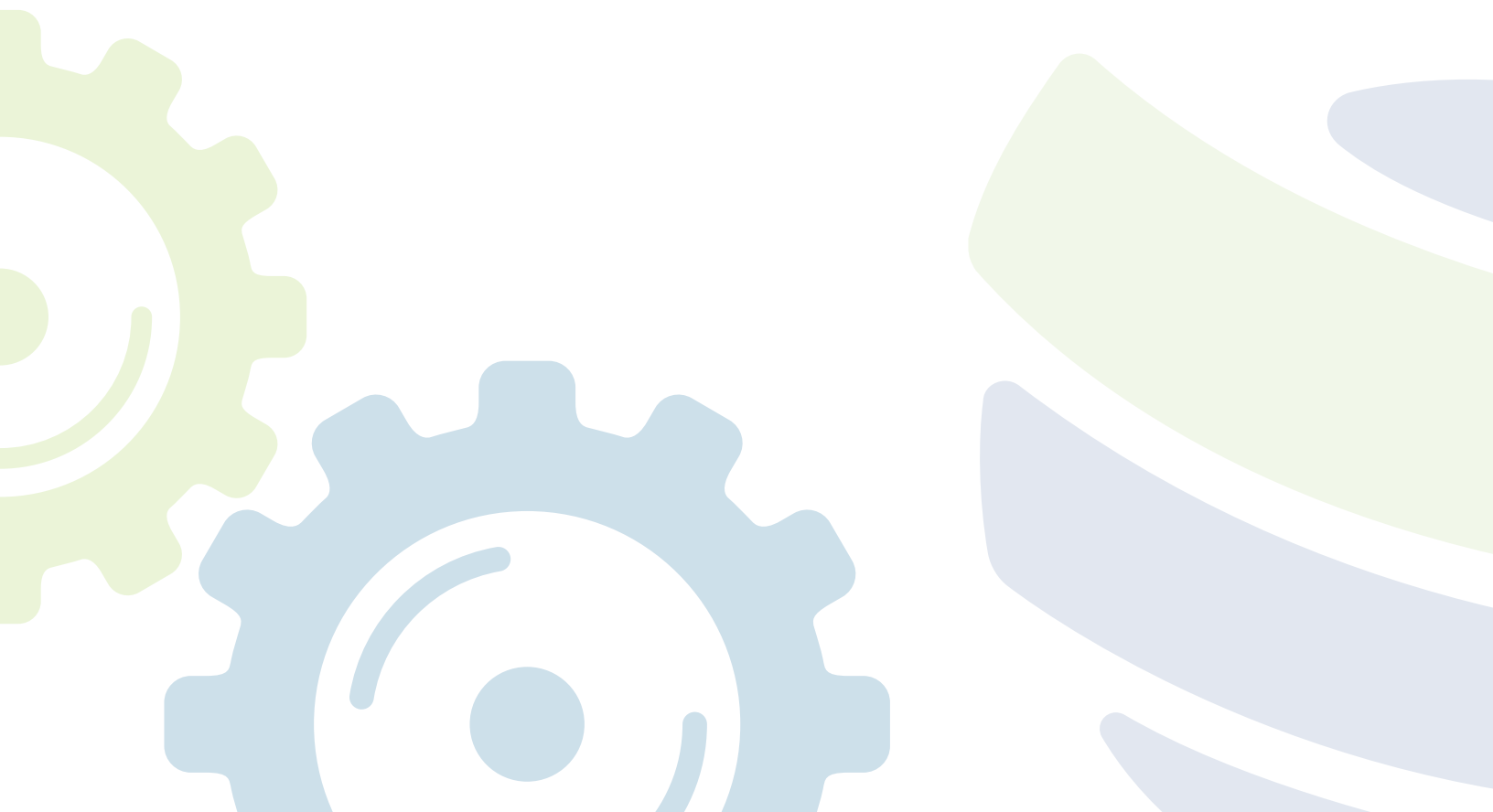
## 02 How does internal audit contribute to advancing and accelerating the evolution of the Three Lines Model within organizations?

Internal audit acts as a catalyst and essential change agent in transforming the Three Lines Model. While the model is familiar to the second and third lines, there is still significant learning required at the first line to fully grasp its purpose and benefits. To enhance organizational agility, factors like flexibility, transparent communication, innovation, and the adoption of agile technologies are essential. Internal audit plays a pivotal role by fostering a culture that values transparency, collaboration, and robust internal controls. It raises awareness about the importance of risk management and facilitates information sharing across different lines, creating an environment where risks are collectively identified and managed.

The commitment of top management, along with awareness and training for involved individuals, is essential for effectively implementing or evolving this model and adapting to changes. As a strategic partner, internal audit provides valuable insights on risk management, identifies opportunities

for improvement, and influences organizational strategy to ensure protection while maintaining agility. It plays a crucial role in addressing challenges related to the implementation of the Three Lines Model, such as resistance to change, budget constraints, and operational complexities. These challenges can, in fact, be transformed into opportunities.

To maximize the model's effectiveness, it is important to establish performance indicators and tailored evaluation methods. For instance, measuring the reduction in incidents and system failures, assessing regulatory compliance rates, and tracking the effectiveness of internal controls through regular audits can yield valuable insights. Engaging stakeholders is also a key success indicator, and internal audit is well-positioned to promote and measure this engagement, thereby strengthening the organization's capacity to adapt and thrive in an ever-evolving environment.



### 03 Could you illustrate the steps of implementing the Three Lines Model with a concrete example?

Certainly! In my career, I have had the opportunity to participate in implementing the Three Lines Model, as well as software designed to enhance governance while maintaining organizational agility. The aim is to facilitate precise communication at the right times and support adequate oversight to meet the needs of stakeholders, including managers, senior management, and the audit committee or board of directors.

As mentioned earlier, there is no one-size-fits-all solution for implementing the model since each company is unique. In my experiences, organizations aimed to avoid additional administrative burdens while ensuring simple and effective risk management.

**To develop such an approach, here are some beneficial steps:**

**Creation of a dedicated project:** Establish a project team, including a leader, and obtain senior management support to gather stakeholders and facilitate model implementation.

**Environmental analysis:** Understand the context in which the company operates, and the roles and responsibilities of stakeholders is crucial.

**Definition of roles and responsibilities:** Establish and consolidate roles and responsibilities and work plans for each line, considering strategic priorities, risks, obligations, and timelines, while eliminating unnecessary redundancies.

**Inventory of risk methodologies:** Develop and agree on a common method and taxonomy, including risk appetite and tolerance, to build a solid foundation and enable adequate reporting.

**Consolidation of results:** Integrate the results of assurance groups' work with the enterprise risk portfolio for regular monitoring.

**Use of technological tools:** Implement tools to facilitate tracking, data analysis, and timely reporting.

**Change management:** Integrate training, guides, and regular communications to ensure data quality and adherence to change.

**Performance indicators:** Define performance and risk indicators for project management and strategic decision-making.

**Maturity assessment:** Conduct regular assessments to adjust the model as needed.

**To adapt the model to different sizes of organizations:**

**Small organizations:** Identify key roles, train staff, communicate, and establish basic processes.

**Medium organizations:** Formalize roles and responsibilities, implement risk management tools, and ensure effective communication.

**Large organizations:** Develop more robust structures, integrate advanced technologies, communicate, and conduct regular audits.

Overall, implementing the Three Lines Model is not without challenges. Regardless of the type of organization, they may face resistance to change, budget constraints, or operational complexities. However, these challenges also present opportunities for continuous improvement. Internal audit, thanks to its independent and objective role, is well-positioned to identify these challenges and propose innovative solutions, thereby strengthening the organization's ability to adapt and thrive in a constantly evolving environment. Internal audit can be a catalyst for change and an outstanding advisor.

**Interview conducted by**  
Maelle Gillet

## About The IIA Montreal

Founded in March 1945, the Montreal Chapter of The Institute of Internal Auditors, (IIA Montreal), is a non-profit organization incorporated under the Quebec Companies Act. It brings together nearly 900 members and is governed by a board of directors supported by committees. Our chapter's mission is to support and develop internal audit professionals throughout their careers, as well as promote the role and value of the profession. Our vision is to be recognized as a preferred partner by the business community, ensuring relevance and innovation within the profession. Our slogan? The ultimate partner for the growth of our members!



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