

# Risk - the Three Lines of Defence model

Guidance note

If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the SGA:  
020 7612 7029 | [info@sportsgovernanceacademy.org.uk](mailto:info@sportsgovernanceacademy.org.uk)

© The Chartered Governance Institute, May 2022

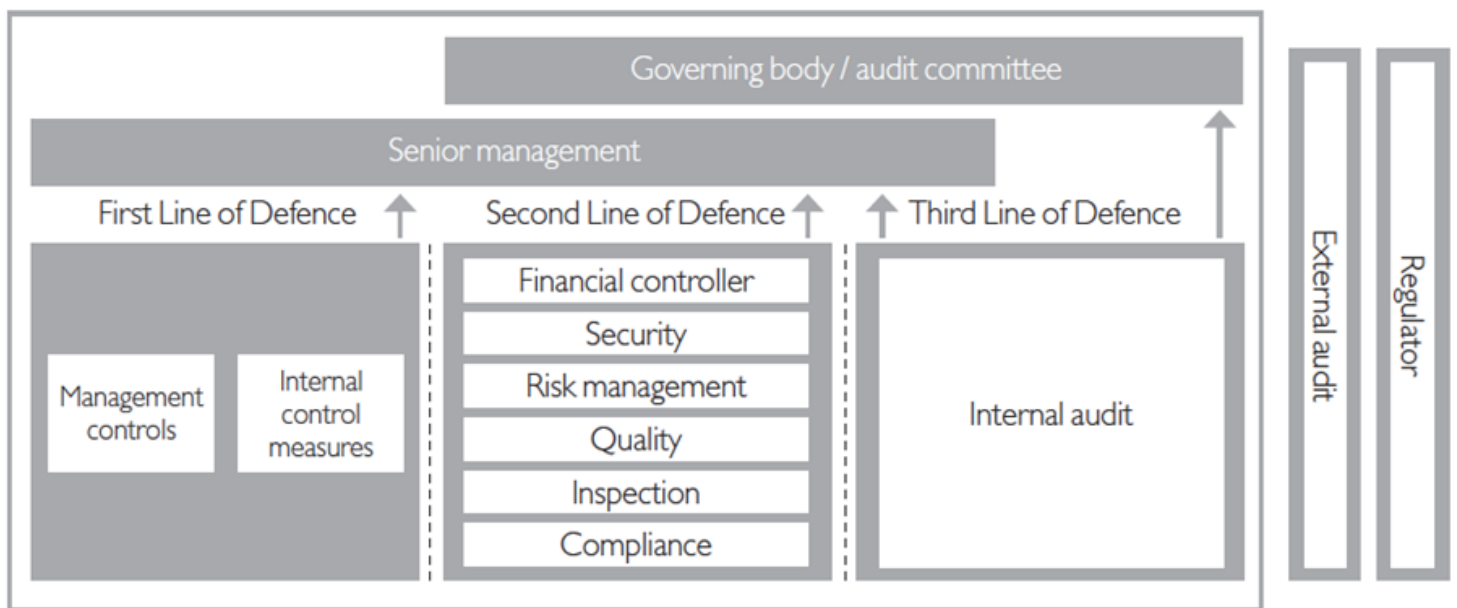
Reviewed: May 2022                      Date of next review: May 2023

The information given in this report is provided in good faith with the intention of furthering the understanding of the subject matter. While we believe the information to be accurate at the time of publication, The Chartered Governance Institute and its staff cannot, however, accept any liability for any loss or damage occasioned by any person or organisation acting or refraining from action as a result of any views expressed therein. If the reader has any specific doubts or concerns about the subject matter they are advised to seek legal advice based on the circumstances of their own situation.

## Risk - the Three Lines of Defence model

Many organisations have adopted and implemented a modular approach to control of risk, referred to as the 'three lines of defence'. The starting point for this is the model itself, which illustrates the separation between:

- the operational ownership and management of risk within the organisation;
- the professional oversight of risk within the organisation; and
- the objective consideration of risk from an independent, if sometimes internal, perspective.



Source: IIA

Board members of sports organisations should ask:

- Does your organisation use a 'three lines' approach to risk? If not, what approach is taken and who is in control of the process?
- Are board members clear on the role they are expected to fulfil within the 'second and third lines'?
- Is there a clarity of risk management and control within the organisation?
- Is the organisational control structure 'fit for purpose'?

### Procedure within the 'three lines' structure

The first line of defence includes control measures that have been built into the internal processes and the direct management oversight and control of risk within the organisation. These controls are accountable to the senior management, who in turn are accountable to the board, often through a direct interaction with the audit committee comprising of independent NEDs.

The second line of defence includes a range of professional control functions, each empowered with the scrutiny, oversight and control of the direct risks of the organisation. These people are likewise accountable to the senior management, who, in turn, are

accountable to the board. These professionals will frequently have a direct interaction and reporting line (straight or dotted) to the audit committee comprising of independent NEDs.

The third line of defence is the internal audit function within an organisation. This is depicted as having a dual reporting structure, to both senior management and the board. The link between the internal audit function and the audit committee is often perceived as a firm reporting line.