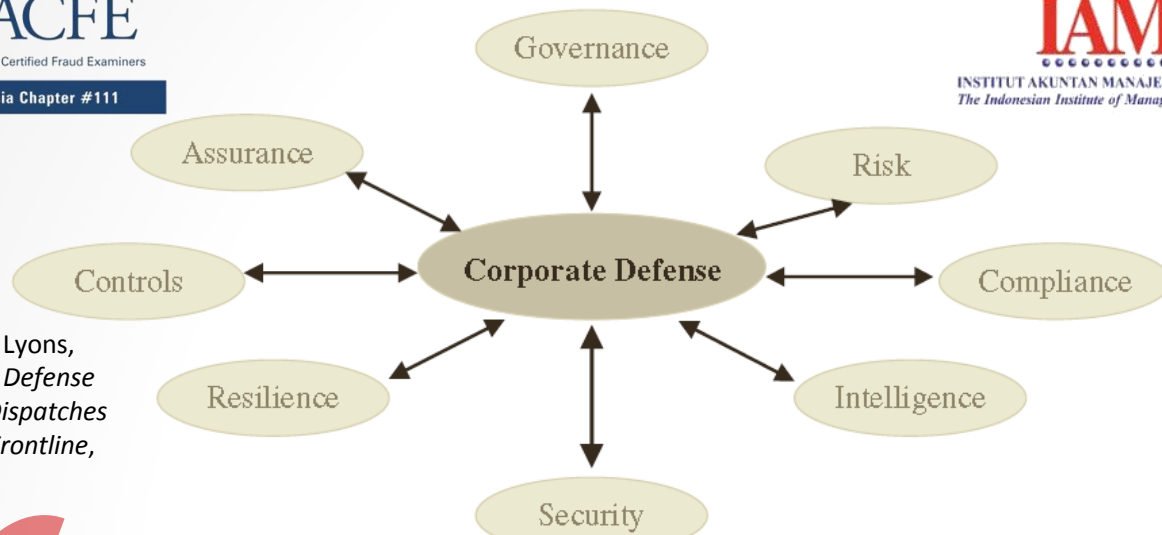




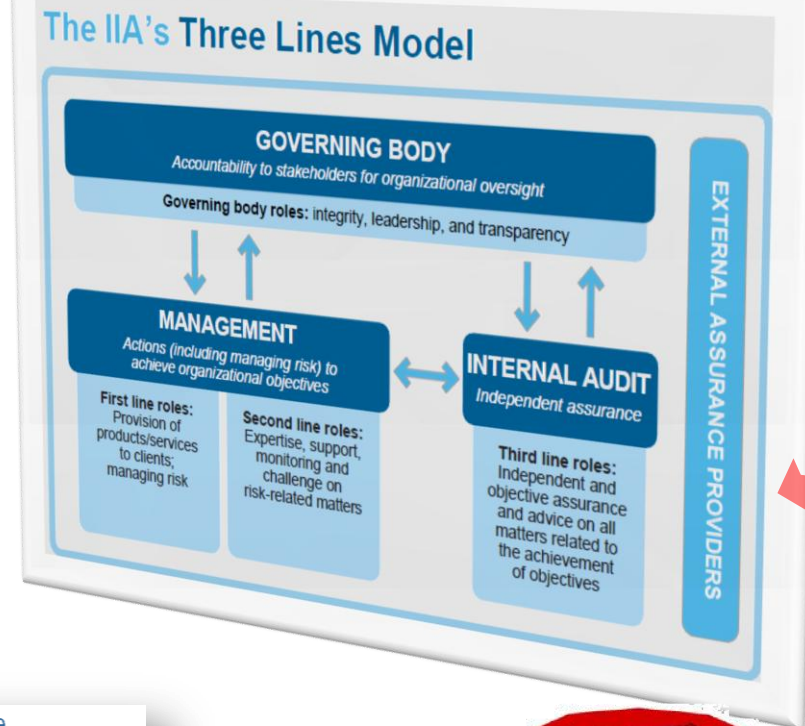
## Model 3 Lini: *Tantangan & Realitas Penerapannya di Indonesia*

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29 September 2020

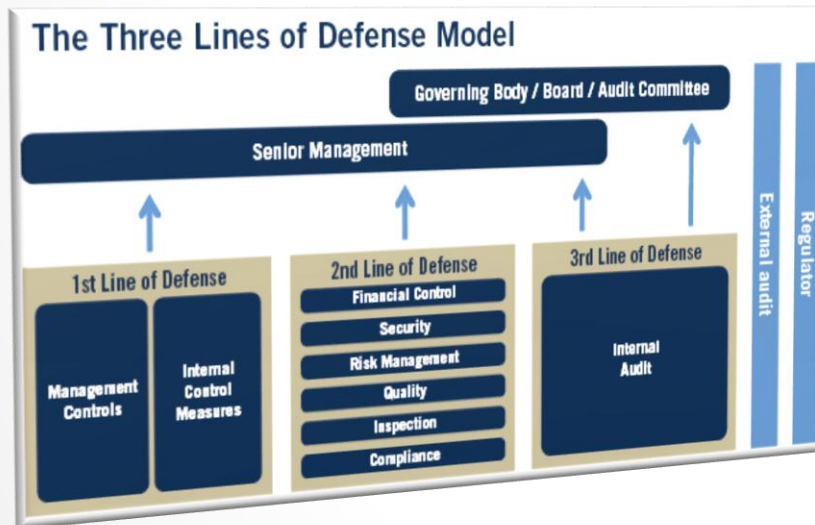


Ref.: Sean Lyons,  
*Corporate Defense  
Insights: Dispatches  
from the Frontline*,  
Feb 2009

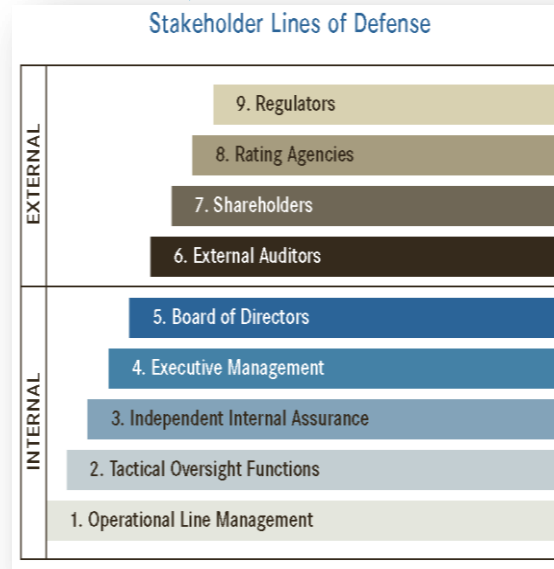


Ref.: THE IIA'S  
THREE LINES  
MODEL  
*An update of the  
Three Lines of  
Defense*, July 2020

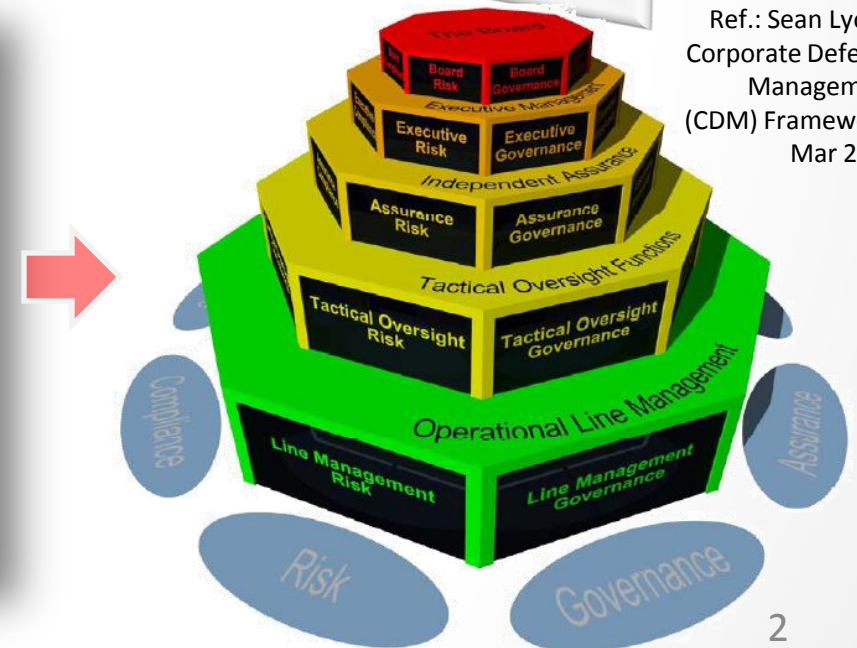
*"A balanced corporate strategy should incorporate a degree of both  
value creation and value preservation. - Sean Lyons"*



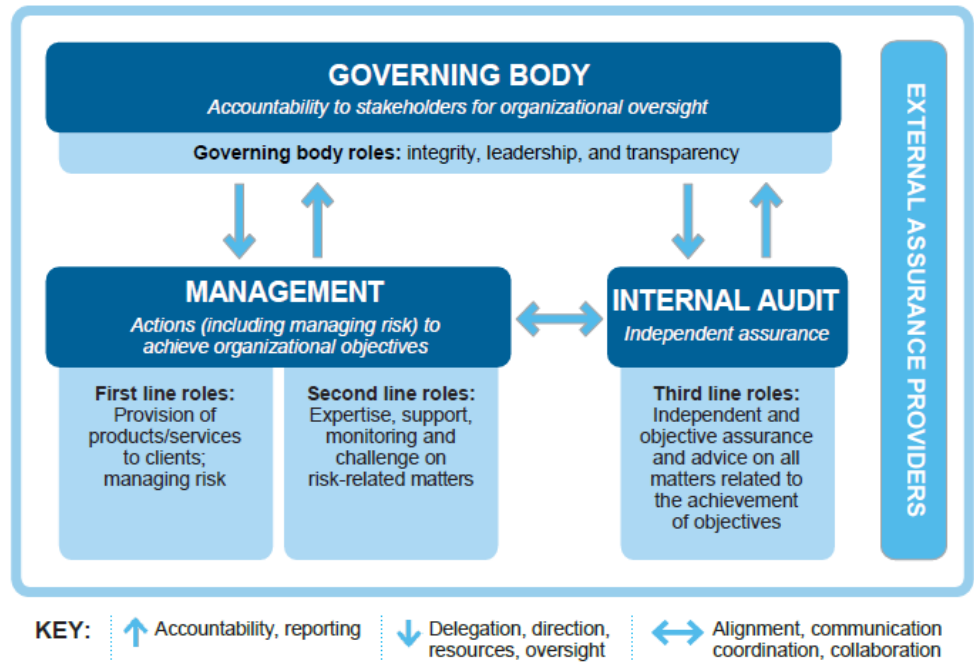
Ref.: Adapted from FERMA/ECIAA, *Guidance on the 8th EU Company Law  
Directive article 41*, Sept 2010



Ref.: Sean Lyons, *Corporate Oversight and  
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Ref.: Sean Lyons,  
*Corporate Defense  
Management  
(CDM) Framework*,  
Mar 2012



- ✓ The model **helps** organizations **identify structures and processes that best assist the achievement of objectives** and **facilitate strong governance and risk management**.
- ✓ The model applies to all organizations and is optimized by:
  - **Adopting a principles-based approach** & **adapting the model** to suit organizational objectives & circumstances.
  - **Focusing on the contribution risk management makes** to achieving objectives & creating value
  - **Clearly understanding the roles & responsibilities** represented in the model & the relationships among them.
  - **Implementing measures to ensure activities & objectives are aligned** with the prioritized interests of stakeholders.

## Key terms

Organization	An organized group of activities, resources, and people working toward shared goals
Stakeholders	Those groups and individuals <b>whose interests are served or impacted by</b> the organization
Governing body	Those individuals <b>who are accountable to stakeholders</b> for the success of the organization
Management	Those individuals, teams, and <b>support functions</b> assigned to provide products and/or services to the organization's clients
Internal audit	Those individuals <b>operating independently from management</b> to provide assurance and insight on the adequacy and effectiveness of governance and the management of risk (including internal control)
Internal control	Processes designed to provide reasonable confidence over the achievement of objectives

- Governing body is accountable to stakeholders
- (Which) Governing body delegates & provides resources to (which) management

## Principle 1: Governance

**Governance of an organization** requires appropriate structures and processes that enable:

- **Accountability** by a governing body to stakeholders for organizational oversight through integrity, leadership, and transparency.
- **Actions** (including managing risk) by management to achieve the objectives of the organization through risk-based decision-making and application of resources.
- **Assurance and advice** by an independent internal audit function to provide clarity and confidence and to promote and facilitate continuous improvement through rigorous inquiry and insightful communication.

## Principle 2: Governing body roles

The governing body ensures:

- Appropriate structures and processes are in place for effective governance
- Organizational objectives and activities are aligned with the prioritized interests of stakeholders

The governing body:

- Delegates responsibility and provides resources to management to achieve the objectives of the organization while ensuring legal, regulatory, and ethical expectations are met.
- Establishes and oversees an independent, objective, and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives.

## Principle 3: Management and first and second line roles

Management's responsibility to achieve organizational objectives comprises both first and second line roles.<sup>1</sup> First line roles are most directly aligned with the delivery of products and/or services to clients of the organization, and include the roles of support functions<sup>2</sup>. Second line roles provide assistance with managing risk.

First and second line roles may be blended or separated. Some second line roles may be assigned to specialists to provide complementary expertise, support, monitoring, and challenge to those with first line roles. Second line roles can focus on specific objectives of risk management, such as: compliance with laws, regulations, and acceptable ethical behavior; internal control; information and technology security; sustainability; and quality assurance. Alternatively, second line roles may span a broader responsibility for risk management, such as enterprise risk management (ERM). However, responsibility for managing risk remains a part of first line roles and within the scope of management.

## Principle 4: Third line roles

Internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.<sup>3</sup> It achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It reports its findings to management and the governing body to promote and facilitate continuous improvement. In doing so, it may consider assurance from other internal and external providers.

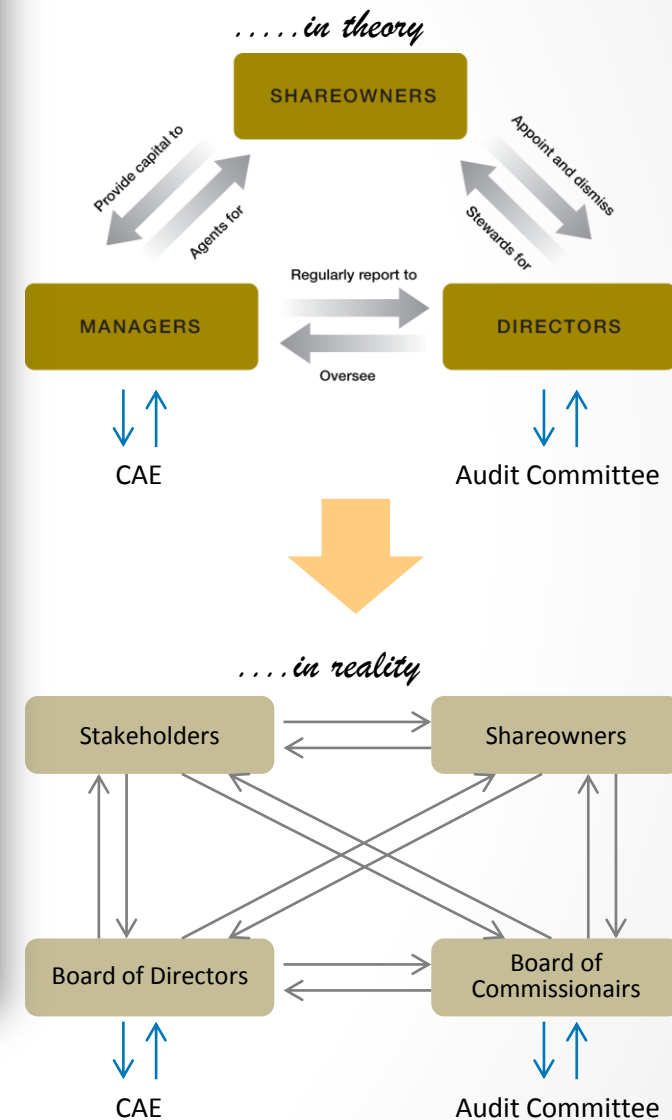
## Principle 5: Third line independence

Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through: accountability to the governing body; unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

## Principle 6: Creating and protecting value

All roles working together collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

- Independent vs un-independent internal audit?
- Which governing body establish internal audit function?
- How should it differ from audit committee?





From the perspective of Indonesian best practices, adopting the principles of the revised model would rather be challenging than the previous, non-revised model:

- A two-tier kind of entity, which no one of these tier can delegate to another
- The model can be seen as promoting only one internal audit in an entity, which might only be applicable to government or not-for-profit entity
- Perceiving that internal audit is not a management issue
- Perceiving of 'independent' & 'non-independent' internal audit

## Narasumber

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Randy Rizki adalah alumni Sekolah Tinggi Akuntansi Negara (STAN) Jakarta dan seorang *Certified Fraud Examiner* (CFE) dengan pengalaman lebih dari 20 tahun dalam bidang audit dan konsultasi.

Saat ini duduk sebagai anggota Dewan Pengurus ACFE (Association of Certified Fraud Examiners) Indonesia, fasilitator untuk IICD (Indonesian Institute for Corporate Directorship), LPFA (Lembaga Pengembangan Fraud Auditing), YPIA (Yayasan Pendidikan Internal Auditor) dan anggota komunitas instruktur bersertifikat dari IFC-Bank Dunia untuk bidang *CG Board Leadership* yang diorganisir oleh IFC *Collaboration for Development on Corporate Governance*.

Sejak 2006, kerap menjadi fasilitator pada berbagai institusi negara dan korporasi di dalam dan luar negeri. Pernah menjadi anggota *task force* OJK untuk *CG Combined Assurance* (2013-2016), narasumber ASOSAI (Asian Organization of Supreme Audit Institutions) pada *workshop* di Tokyo dan Manila (2012) dan anggota kelompok kerja INTOSAI untuk topik Anti Korupsi & AML (2009-2013). Ia pun mengorganisir forum praktisi yang disebut sebagai Forum Audit Forensik Indonesia (FAFI) melalui media sosial.

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