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Optimizing the Role of Internal Audit Through Effective Communication with Risk Management at PT Pegadaian (Persero)

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Abstract

This study examined the optimization of the Internal Audit Function (Satuan Pengawasan Intern, SPI), operating as the third line, through effective communication with the Risk Management Function, operating as the second line, at PT Pegadaian (Persero). The study was grounded in the Three Lines Model developed by The Institute of Internal Auditors (IIA), alongside Financial Services Authority Regulations (Peraturan Otoritas Jasa Keuangan, POJK) No. 42 of 2024 concerning the Implementation of Risk Management for Financing Institutions, Venture Capital Companies, Microfinance Institutions, and Other Financial Services Institutions, and POJK No. 48 of 2024 concerning Good Governance for these institutions. Using a descriptive qualitative approach with a case study design, the research identified communication gaps that prevented internal audit findings from being systematically integrated with the organizational risk profile maintained by the second line. The findings revealed that coordination and communication between the two functions remained suboptimal. The Risk Management Function had not established a comprehensive risk register to support risk-based internal auditing, while SPI had identified 1,491 chart of accounts (CoA)-related conditions and 72 CoA-related causes that were not systematically consolidated into reports for the Board of Directors and senior management. The identified communication barriers included organizational factors, particularly a silo mentality; structural limitations, including the absence of formal coordination mechanisms; technical deficiencies, particularly an incomplete risk register; and misconceptions regarding internal audit independence, which was incorrectly interpreted as organizational isolation. The study concluded that optimizing the internal audit function required effective communication, structured coordination, and strategic collaboration with risk management while preserving internal audit independence and objectivity. Strengthening these mechanisms could enable SPI to produce risk-informed audit reports that address underlying causes and provide constructive, actionable recommendations to improve organizational governance and risk management effectiveness.

INTRODUCTION

PT Pegadaian (Persero), a state-owned nonbank financial institution in Indonesia, plays a strategic role in promoting national financial inclusion through various financial services, including gold-backed pawn financing, fiduciary financing, and digital financial services. As operational complexity, business expansion, and financial market volatility increase, the company faces various risk exposures, including credit, operational, market, and compliance risks. In response to these challenges, effective internal controls and enterprise risk management (ERM) have become essential for maintaining business sustainability,

strengthening organizational resilience, and creating long-term value. PT Pegadaian has demonstrated its commitment to corporate governance through its Governance, Risk, and Compliance (GRC) maturity assessment, achieving a score of 3.36 in 2025, corresponding to the "consistent" maturity category. This result indicated that GRC practices had been systematically documented and consistently managed across the organization (Pegadaian, 2025). The assessment referred to the Open Compliance and Ethics Group (OCEG) GRC Assessment Framework, version 3.5.1, and applicable regulatory requirements, including regulations issued by the Ministry of State-Owned Enterprises and the Financial Services Authority (Otoritas Jasa Keuangan, OJK) (CNN Indonesia, 2025).

Historically, the internal audit function performed by the Internal Audit Unit (Satuan Pengawasan Intern, SPI) has often been perceived primarily as a monitoring and compliance function focused on identifying administrative irregularities and operational deficiencies. Such a compliance-oriented and relatively isolated approach may contribute to resistance among operational units (auditees) and result in audit reports that emphasize procedural shortcomings rather than opportunities for organizational improvement. Conventional audit findings may focus on observable symptoms without adequately identifying their underlying causes, thereby limiting management's ability to formulate effective corrective actions and implement sustainable improvements.

Contemporary internal auditing standards emphasize the transformation of internal auditors from compliance-focused monitors into trusted advisors who provide independent assurance and contribute strategic insights while maintaining professional objectivity. The Institute of Internal Auditors (IIA), through its Three Lines Model, updated in July 2020, emphasized that organizational roles should operate collectively to create and protect organizational value (IIA, 2020). The transition from the Three Lines of Defense model to the Three Lines Model reflected a broader shift from a predominantly defensive approach to risk management toward a more integrated framework emphasizing collaboration, accountability, and value creation (Setianto, 2020; MFSA, 2021). Setianto (2020) explained that the traditional model's excessive emphasis on defensive controls could discourage proactive risk management and overlook opportunities for value creation. This perspective could also reinforce the misconception that internal auditors primarily function as organizational barriers that restrict operational managers from undertaking legitimate risk-taking activities.

Optimizing the role of SPI requires effective communication and structured coordination between the internal audit function, operating as the third line, and the Risk Management Division, operating as part of the second line, within the IIA Three Lines Model. The IIA (2020) emphasized that internal audit independence does not imply organizational isolation. Principle 6 of the Three Lines Model highlights the importance of alignment and collaboration among organizational roles in supporting value creation and protection (IIA, 2020). Without structured communication and continuous information exchange between these functions, assurance activities may become redundant, significant risks may remain insufficiently addressed, and audit recommendations may fail to align with the organization's risk profile, risk appetite, and strategic objectives. Effective coordination is therefore essential to strengthen risk-based internal auditing while preserving the independence and objectivity of the internal audit function.

At the national level, OJK regulations further reinforce the respective responsibilities of risk management and internal audit functions within pawnshop companies. OJK Regulation (Peraturan Otoritas Jasa Keuangan, POJK) No. 42 of 2024 concerning the Implementation of Risk Management for Financing Institutions, Venture Capital Companies, Microfinance Institutions, and Other Financial Services Institutions applies to pawnshop companies and establishes requirements for effective risk management, including risk identification, measurement, monitoring, and control, as well as adequate risk management information systems and internal control mechanisms (OJK, 2024a). POJK No. 48 of 2024 concerning Good Corporate Governance for Financing Institutions, Venture Capital Companies, Microfinance Institutions, and Other Financial Services Institutions further strengthens this regulatory framework. The elucidation of Article 77, paragraph (1), refers to the Three Lines Model, under which the second line encompasses risk management and compliance functions responsible for monitoring risk exposures, developing risk management methodologies, and supporting the implementation of risk management policies. Meanwhile, the third line provides independent assurance regarding the effectiveness of governance, risk management, and internal control processes (OJK, 2024b). These complementary responsibilities establish a regulatory foundation for structured information exchange between the Risk Management Division and SPI without compromising internal audit independence. PT Pegadaian has adopted the Three Lines Model as part of its internal control framework, assigning operational risk ownership to the first line, risk monitoring and methodological support to the second line, and independent assurance and evaluation to the third line (SWA, 2025).

Preliminary observations at PT Pegadaian identified significant communication gaps between SPI, as the third line, and the Risk Management Division, as the second line. Both functions appeared to operate in organizational silos, with limited coordination and information sharing. The Risk Management Division had not established a comprehensive risk register that could support risk-based audit planning and assessment by SPI. Consequently, internal audit findings were not systematically linked to the risks identified, assessed, and monitored by the second line. Furthermore, SPI maintained records comprising 1,491 chart of accounts (CoA)-related conditions and 72 CoA-related causes derived from various audit findings. However, these records had not been adequately classified, consolidated, or mapped to the company's risk profile. The volume and fragmented structure of these findings limited their usefulness in generating meaningful, risk-oriented reports for senior management and the Board of Directors. As a result, opportunities to translate audit findings into strategic insights and actionable organizational improvements remained constrained.

These conditions indicated that the principles of independence, alignment, and collaboration emphasized in the IIA Three Lines Model had not been fully operationalized at PT Pegadaian. Effective communication between the second and third lines is essential for improving audit quality, strengthening risk oversight, and supporting good corporate governance. The IIA's Global Internal Audit Standards, issued in 2024, identify effective communication as a fundamental principle of professional internal auditing. Specifically, Principle 11, "Communicate Effectively," and Standard 11.1, "Building Relationships and Communicating with Stakeholders," emphasize the importance of establishing effective communication and professional relationships with stakeholders to promote mutual understanding of organizational interests, risk management approaches, responsibilities, and

relevant regulatory requirements (IIA, 2024). Accordingly, structured communication between SPI and the Risk Management Division should be viewed not merely as an administrative coordination mechanism but as an essential component of effective governance, integrated risk management, and organizational accountability.

Based on these organizational and regulatory considerations, this study addressed three research questions: How effective was the existing communication between SPI, as the third line, and the Risk Management Division, as the second line, at PT Pegadaian (Persero)? What organizational, structural, technical, and professional barriers hindered effective communication between these functions? What strategies could optimize the role of internal audit through improved communication and coordination with risk management while maintaining internal audit independence? These questions were formulated to examine existing communication practices, identify underlying coordination challenges, and explore practical opportunities for strengthening the integration of risk management information into internal audit activities.

This study aimed to examine communication practices between SPI and the Risk Management Division at PT Pegadaian (Persero), identify barriers to effective coordination, and formulate recommendations for optimizing internal audit effectiveness through structured communication and collaboration. The study sought to contribute to management and governance literature, particularly regarding corporate governance, enterprise risk management, internal auditing, and interfunctional coordination within the Three Lines Model. From a practical perspective, the findings were intended to provide PT Pegadaian with recommendations for improving communication mechanisms, integrating audit findings with organizational risk information, and strengthening the relevance of internal audit reports for management and Board-level decision-making. The findings may also offer insights for other state-owned enterprises (Badan Usaha Milik Negara, BUMN) facing similar coordination challenges between internal audit and risk management functions. Additionally, the study may inform regulators and policymakers regarding practical challenges in implementing governance requirements and strengthening coordination among organizational assurance and risk oversight functions.

METHOD

Research Approach

This study employed a qualitative case study design to examine communication practices, interactions, and coordination barriers between the Internal Audit Unit (SPI) and the Risk Management Division at PT Pegadaian (Persero) within their organizational context (Yin, 2018).

Research Location and Time

This research was carried out at PT Pegadaian (Persero) which is located at the Head Office of PT Pegadaian, Jakarta. The research period was carried out in the period from January to June 2026.

Data Source

The data sources in this study consist of two types, namely:

1. Primary Data

Primary data was obtained through participatory observation. The author[1] who works as the Head of the Audit Team at the Internal Supervision Unit (SPI) of PT Pegadaian, made direct observations on the communication and coordination process between SPI and the Risk Management function. Observations were carried out in various relevant activities, including coordination meetings, discussion of audit results, and the process of preparing work plans. The position of the Author[1] as part of the SPI allows for a direct and contextual understanding of communication patterns, forms of coordination, and the dynamics of the working relationship between the internal audit function as the Third Line and the risk management function as the Second Line.

2. Secondary Data

Secondary data is obtained from:

1. PT Pegadaian's internal documents, including:
   – Risk Register and risk profile of the company.
   – Report on the results of the SPI audit (including CoA Condition and CoA Cause).
   – SPI Annual Audit Work Plan.
   – Risk management policies and procedures.
   – Corporate Governance Charter (GCG Code).
2. External documents, such as:
   – OJK Regulation Number 42 of 2024.
   – OJK Regulation Number 48 of 2024
   – IIA Global Internal Audit Professional Standards.
   – Three Lines Model IIA (2020).

Data Collection Techniques

The data collection techniques used in this study are:

1. Documentation Study: Collect and analyze documents relevant to the communication between SPI and Risk Management.
2. Observation: Observed first-hand the communication interaction between SPI and Risk Management in various forums, including coordination meetings and informal meetings.

Data Analysis Techniques

The data analysis in this study used the interactive analysis model of Miles, Huberman, and Saldaña (2014), which consists of four stages:

1. Data Collection: Collect all data from discussions, observations and documentation.
2. Data Reduction: Selecting, focusing, simplifying, and abstracting data relevant to the focus of the research.
3. Data Presentation: Presenting data in the form of narratives, tables, and matrices to facilitate understanding and analysis.
4. Drawing Conclusions and Verification: Draw conclusions based on the data that has been analyzed and verify to ensure the validity of the findings.

Data Validity

To ensure the validity of the data, this study uses triangulation techniques, namely:

1. Source Triangulation: Comparing data from various sources (discussion, observation, and documentation).
2. Triangulation Methods: Using a variety of data collection methods to verify findings.

3. Member Check: Reconfirms findings to informants to ensure the accuracy of the researcher's interpretation.

RESULTS AND DISCUSSION

Overview of PT Pegadaian (Persero)

PT Pegadaian (Persero) is a State-Owned Enterprise (SOE) engaged in the pawn and financing business. The company has a strategic role in supporting national financial inclusion through various key services such as gold pawning, fiduciary financing, and the development of a digital ecosystem. Along with operational complexity and growing business expansion, PT Pegadaian faces a variety of risk exposures, including credit risk, operational risk, market risk, and compliance risk.

In the corporate governance structure, PT Pegadaian applies the Three Lines Model as the foundation of internal control. The first line is run by business and operational units that directly interact with customers. The second line is run by the Operations and Corporate Risk Management Division, Credit and Insurance Risk Division, Legal Division, and Compliance Division led by a Director. The third line is run by the Internal Supervisory Unit (SPI) which reports independently to the President Director and the Board of Commissioners through the Audit Committee.

PT Pegadaian has shown a strong commitment to the implementation of GCG through various achievements. In 2025, Pegadaian will carry out GRC Maturity measurement and managed to record a score of 3.36 (consistent category), which shows that the implementation of Governance, Risk, and Compliance (GRC) has been documented and managed consistently (Pegadaian, 2025). This assessment is carried out by an external independent institution of PT Robere Manajemen Indonesia by referring to the OCEG GRC Assessment Framework 3.5.1 standard and applicable regulations (CNN Indonesia, 2025). As stated by Pegadaian's Director of Risk, Legal, and Compliance Management, governance at Pegadaian is not placed as a slowing bureaucracy, but as a smart security system (SWA, 2025).

Communication Analysis between SPI and Risk Management

1. Current Communication Conditions

Based on the results of discussions and observations, it was found that communication between SPI (Line 3) and Risk Management (Line 2) at PT Pegadaian has not run optimally. These two functions tend to operate separately (siloes) without adequate coordination. This is in line with the criticism of the rigid and blocked Three Lines of Defence model, which according to Setianto (2020) has created a silo where each function only focuses on risk and control in its unit, ignoring the influence and linkage with other functions.

Some of the key findings regarding the current state of communication are:

a. Limitations of Information and Data Exchange

Line 2 has not routinely shared Risk Registers and risk mapping results to Line 3 as the basis for audit planning. This results in SPI not having a comprehensive risk map to prepare a risk-based audit plan. On the other hand, Line 3 has also not systematically shared a summary of previous audit results to Line 2 to monitor risk improvements in Line 1. This condition is contrary to the Three Lines Model principle which emphasizes the importance of information and data exchange between Line 2 and Line 3 (IIA, 2020).

b. Lack of Coordination and Alignment of Activities

There are no structured periodic meetings between SPI and Risk Management to align the audit plan with the risk monitoring plan. As a result, there is overlapping in supervisory activities, where the same area is audited by SPI and also monitored by Risk Management, while other areas may not receive adequate attention. This creates inefficiencies and audit gaps that can harm the organization. Setianto (2020) emphasized that integration, coordination, and limited communication lead to duplication of control and inefficiency, as well as leaving control gaps.

c. Audit Findings Are Not Connected to Risk Profiles

SPI audit findings documented in 1,491 CoA Conditions and 72 CoA Because are not connected to the risks identified and managed by Line 2. This results in audit findings not being able to clearly describe the company's risk conditions and are difficult to make meaningful reports for the Board of Directors and Management. Huang (2025) emphasizes that internal audits should provide independent evaluations that produce actionable recommendations for risk mitigation, but this is difficult to achieve if the audit findings are not linked to the company's risk profile.

d. Limitations of Formal Communication and Reporting

There is no mechanism for periodic coordination meetings (monthly or quarterly) between SPI and Risk Management to discuss new risk trends faced by the company. SPI has also not provided objective feedback in a structured manner regarding the effectiveness of the risk management design made by Line 2. In fact, IIA (2020) requires formal communication and regular reporting between the two functions.

2. Communication Barriers

Based on data analysis, there are several obstacles that cause communication between SPI and Risk Management to not run effectively:

a. Cultural Barriers (Silo Mentality)

There are differences in viewpoints and approaches between SPI and Risk Management. Line 2 tends to focus on methodology development, risk mapping, and prevention education, while Line 3 focuses on independent evaluation and testing for deviations. Without effective communication, these differences in perspectives create friction: Risk Management considers SPI's findings to undermine the mitigation scheme that has been designed, while SPI considers Risk Management to fail to detect control weaknesses early on. Setianto (2020) explains that the rigid and blocked model structure has created silos, where each function only focuses on risk and control in its unit, ignoring the influence and linkage with other functions.

b. Structural Barriers

The absence of a formal mechanism governing communication between SPI and Risk Management is a significant structural barrier. Both functions do not have a structured regular communication forum, and there are no standard procedures for information exchange and coordination of activities. This causes communication to be sporadic and unplanned, so important information is often not received or received late by those in need.

c. Technical Barriers

Line 2 has not compiled a comprehensive Risk Register that can be used by Line 3 as the basis for a risk-based audit. This is due to the limited capacity and resources in the Risk

Management Division, as well as the lack of an integrated information system that allows for real-time exchange of risk data between the two functions. Research on the implementation of risk-based audits shows that the completeness and validity of risk data from auditees is the main obstacle faced by internal auditors (Siregar & Harahap, 2019).

d. Misunderstood Barriers to Independence

There is a misconception that SPI independence means that there is no need to communicate intensively with Risk Management. In fact, IIA (2020) emphatically states that "independence doesn't mean isolation". The new model emphasizes the importance of communication and collaboration, and recognizes that independence does not mean isolation and that internal auditors have an obligation to interact regularly with management to ensure the relevance of audit work (IIA, 2020).

Optimizing the Role of SPI through Effective Communication

Based on the analysis of obstacles and improvement needs, this study formulates strategies to optimize the role of SPI through effective communication with Risk Management as follows:

1. Language Coordination and Risk Taxonomy

SPI and the Risk Management Division should adopt a uniform risk dictionary and criteria in assessing impact and likelihood. This alignment ensures that the risk predicates identified by SPI in the audit findings have the same materiality weight as the Line 2 risk criteria. RIMS and IIA (2012) emphasize the importance of both functions to use the same language and leverage each other's perspectives on the business in order for collaboration to run effectively.

To realize this alignment, it is recommended:

a. Establishment of a joint working team to develop an integrated risk taxonomy.
b. Socialization and joint training on risk assessment criteria.
c. Periodic testing of the consistency of risk assessment between the two functions.

2. Exchange of Work Products and Risk Register

Line 2 is required to distribute the latest risk profile documents (Risk Register) of all PT Pegadaian work units to SPI on a regular basis. On the other hand, SPI shares audit findings trend to Line 2 as input to update the risk matrix and adjust mitigation parameters. Siregar and Harahap (2019) emphasized the importance of using risk registers as a driver of audit plans in the implementation of risk-based audits.

Recommended exchange mechanisms:

a. Preparation of regular schedules for Risk Register updates and exchanges (at least quarterly).
b. Development of a standard format for the exchange of risk data and audit findings.
c. The use of integrated information systems to facilitate real-time data exchange.

3. Periodic Risk Dialogue Forum

Holding periodic coordination meetings between the Head of SPI and the Head of the Risk Management Division to discuss emerging risks, changes in OJK regulations, and operational areas that experience systemic control weaknesses. IIA (2020) requires periodic meetings to align the Line 3 audit plan with the Line 2 risk monitoring plan to avoid overlap.

Recommended forum format:

a. Monthly coordination meeting for operational discussions.
b. Quarterly strategic meetings for long-term evaluation and planning.
c. Ad hoc forum to discuss urgent issues or emerging risks.

4. Transformation of Audit Findings Formulation

Each audit finding must be analyzed to find the root cause of the problem using Root Cause Analysis (RCA) methods such as the 5-Whys technique or the Fishbone Diagram. SPI together with the Operations and Corporate Risk Management Division discuss whether an operational deviation is caused by:

a. Control design gap failure where SOPs have not anticipated new risks.
b. Control execution failure due to HR capacity constraints.
c. Weaknesses in information technology infrastructure.

The audit recommendations produced by SPI must be formulated in a structured manner to meet the SMART criteria:

1) Specific: Identify corrective actions in detail, assign specific units in charge, and explain technical procedures that need to be improved.
2) Measurable: Provides objective quantitative and qualitative achievement indicators to measure the success rate of improvement follow-up.
3) Achievable: Considers the operational feasibility, efficiency of resource allocation, and technical capacity of the work unit in realizing the recommendations.
4) Relevant: Fill the control gap directly and rationally connect with the reduction in impact weight or risk probability on the Second-Line risk profile.
5) Time-bound: Set clear and binding deadlines for operational management.

Sholikudin and Ratnawati (2026) found that effective internal audit communication is reflected in the clarity and completeness of the message, accuracy and timeliness, objectivity and evidence-based conclusions, and feedback and follow-up. This is in line with the importance of formulating structured and root-based audit findings.

5. Development of an Integrated Supervisory Information System

Companies need to accelerate the integration of internal audit applications with the Enterprise Risk Management System to support follow-up monitoring of findings based on digital dashboards that can be accessed in real-time by all three lines. Through this integrated system, operational units (Line 1) can upload evidence of improvement in real-time, Risk Management (Line 2) can verify the risk level reduction in the Risk Register, and SPI (Line 3) can conduct independent validation to transparently close the status of audit findings.

PT Pegadaian itself has developed a digital GRC system that functions like a strategic radar that captures market signals in real-time, ranging from regulatory changes, shifts in customer behavior, to the emergence of new competitors (SWA, 2025). This system can be expanded to include integration between audit and risk management functions.

6. Capacity Building and Joint Training

Providing a continuous competency improvement program for SPI auditors and Risk Management personnel, especially in the field of Risk-Based Internal Audit (RBIA), Root Cause Analysis, and persuasive communication skills in the formulation of operational quality improvement recommendations. Casella and Bertuani (2023) prove that the shift in the internal audit paradigm from just a watchdog to a risk-based strategic partner requires continuous capacity building and competence.

7. Determination of Internal Regulations Governing Line 2 and Line 3 Communication

The Board of Directors of PT Pegadaian is advised to issue internal regulations that explicitly regulate the mechanism for the exchange of risk profile data, common risk taxonomy criteria, and the schedule for periodic coordination meetings between SPI and the Risk Management Division. This regulation must refer to the 2024 Global Internal Audit Professional Standards, especially Standard 9.1 on Coordinating and Relying on Other Assurance Providers and Standard 11.1 on Communicating Effectively (IIA, 2024).

Limiting the Role of SPI in Risk Management Activities

One critical thing that must be considered in building this communication is to maintain the independence and objectivity of SPI as stipulated in the IIA standard and the regulations of the Ministry of SOEs/KMK. Table 1 outlines the limitations of SPI's role in risk management activities to avoid conflicts of interest:

Table 1. Limitation of the Role of SPI in Risk Management Activities

Role Categories	Permissible Internal Audit / SPI Activities	Strictly Prohibited Activities for SPI
Core Roles	1. Provide insurance for the risk management process. 2. Provide assurance that risks are properly evaluated. 3. Evaluate the reporting of key risks. 4. Evaluate key risk management.	1. Determine the risk appetite of the organization. 2. Establish and enforce risk management processes. 3. Insuring risks on behalf of operational management.
Legitimate Roles with Safeguards	1. Facilitate risk identification and analysis at an early stage. 2. Train management on responding to risks. 3. Coordinate risk management activities. 4. Maintain and develop an ERM framework.	1. Make decisions on behalf of management regarding risk response. 2. Implement risk response on behalf of operations. 3. Accountable and directly responsible for risk oversight.

Source: Adapted from IIA (2020)

IIA (2020) affirms that communication should not be instructive. Line 3 should not dictate Line 2 risk decisions, and Line 2 should not limit the scope of Line 3 audits. This is in line with the 5th principle of the Three Lines Model which states that the independence of internal audits from management responsibilities is essential to its objectivity, authority, and credibility (IIA, 2020).

Discussion: Interpretation of Findings in the Perspective of Theory and Previous Research

1. Silo Mentality as a Legacy of the Three Lines of Defence Paradigm

The silos found between SPI and Risk Management at PT Pegadaian are not a stand-alone phenomenon, but a common symptom that has long been identified in the Indonesian risk governance literature. (Alijoyo, 2011) explained that the Three Lines of Defence model that was in place before the IIA update in 2020 structurally placed internal audit as a "third layer of defense" that stood separate from the two layers in front of it, thus inadvertently instituting psychological distance between lines instead of encouraging collaboration. The findings of this study show that the legacy of this paradigm is still culturally imprinted at PT Pegadaian even though the company has formally adopted the Three Lines Model showing that

the transformation of the structure on paper is not automatically followed by the transformation of the communication culture in the field.

This pattern is consistent with the findings of Hasbara and Diyanty (2022) in the evaluation of the role of the Inspectorate as an internal audit in the context of the Three Lines Model in the public sector, which identified that the effectiveness of the role of Line 3 is largely determined by the extent to which the function is involved from the planning stage by Line 2, not just being asked to give an opinion at the final stage. The absence of this kind of involvement in PT Pegadaian is reflected in the absence of the Exchange of Risk Register, which emphasizes that the problem is not in the goodwill of individuals, but in the architecture of work processes that have not been designed for cross-line collaboration.

2. Audit Findings Are Disconnected from Risk Profiles: Structural Issues, Not Just Capacity

The volume of 1,491 CoA Conditions and 72 CoA Causes that cannot be mapped to the company's risk profile is in line with the observation of Handayani et al. (2024) in the evaluation of the role of the Third Line internal audit, which concluded that many SPI functions in Indonesian SOEs are still oriented towards the volume of findings as an indicator of performance, rather than the relevance of findings to material risk. This condition is significantly different from that found by Katiandagho, Runtu, and Lambey (2023) in the evaluation of internal control of cash expenditure at PT Pegadaian North Manado Branch, which shows that at the operational level of the branch, internal control can be evaluated relatively linearly because the scope is narrow and the process is standardized. This comparison indicates that the problem of disconnection of the findings raised in this study is a problem that arises specifically at the corporate/head office level, when the complexity and scale of the findings have exceeded the capacity of conventional narrative reporting, so that the argument about the need for an integrated surveillance information system (strategy 4.3.5) obtains additional empirical justification: the problem is scalability, not just the discipline of record-keeping.

3. Supportive Communication Style as a Prerequisite, Not a Complement

The recommendations of the periodic risk dialogue forum (4.3.3) and the transformation of the formulation of RCA-SMART-based findings (4.3.4) will lose their effectiveness if they are not accompanied by changes to the communication style itself. Proell et al. (2022) show that a supportive communication style in internal audit assignments that emphasizes problem descriptions rather than personal evaluations, as well as a shared problem-solving orientation instead of unilateral control has been shown to increase auditee acceptance of recommendations and accelerate follow-up. These findings are relevant to explain why the misunderstood independence barrier (4.2.2 point 4) can persist at PT Pegadaian: when SPI communication tends to be instructive or judgmental, Risk Management defensively interprets SPI's independence as a reason not to involve Line 3 early. Thus, the recommended dialogue forum needs to be designed not only as an administrative mechanism, but also as a space for the establishment of supportive communication norms between the two functions.

The need for this communication competence is also emphasized by Yulisfan and Nasution (2023), who found a positive relationship between auditor competence and communication quality in the context of public sector auditing. The findings reinforce the urgency of a joint capacity-building strategy (4.3.6): RBIA and RCA training without the

strengthening of persuasive communication skills risks producing technically qualified auditors who still fail to build a communication bridge with Line 2.

4. The Position of PT Pegadaian in relation to the Banking Sector

As a non-bank financial services institution, PT Pegadaian is subject to POJK Numbers 42 and 48 of 2024, which conceptually imitate the governance arrangements that have matured in the banking sector. Hukumonline (2023) notes that the POJK for commercial bank governance has already required explicit coordination between the Risk Management Work Unit and the Internal Audit Work Unit, complete with a tiered reporting mechanism that is more detailed than the regulations applicable to financing institutions. This comparison implies that the communication gap found at PT Pegadaian can be partly explained by the fact that the regulatory apparatus for the PVML sector (Finance Institutions, Venture Capital Companies, and Microfinance Institutions) is relatively new and does not yet have detailed operational technical guidance belonging to the banking sector, so the recommendation for the establishment of internal regulations (4.3.7) is not only good to put into practice, but also urgent given the lack of technical guidance from regulators in this sector.

5. Theoretical and Practical Implications

Theoretically, this study enriches the understanding of how the principle of "independent but not isolated" in the Three Lines Model (IIA, 2020) is translated or failed to be translated into daily communication practices in Indonesian non-bank financial institutions. These findings add empirical evidence to the literature that has been dominated by studies of the banking and public sectors (Ariaji & N.S., 2021; Hasbara & Diyanty, 2022), by presenting the context of financing SOEs that have their own risk characteristics and governance structures.

Practically, these findings confirm that optimizing the role of SPI cannot be achieved solely through strengthening audit methodologies (RBIA, RCA, SMART criteria), but requires parallel interventions at three levels at once: structural level (communication forums and regulations), technical level (integrated information systems), and cultural level (supportive communication styles and correct understanding of independence). Ariaji and N.S. (2021) are in line with this conclusion when stating that effective communication plays a direct role in minimizing the repeated findings of a performance indicator that is directly relevant to PT Pegadaian's management in assessing the success of the implementation of this research recommendation in the future.

6. Research Limitations

This study has limitations that need to be observed in interpreting its findings. First, the position of the Author[1] as part of the SPI has the potential to produce a bias in the perspective bias of Line 3 in the reading of communication dynamics, even though it has been mitigated through triangulation of sources and member checks. Second, this study is a single case study on one financing SOE, so the generalization of the findings to other financing institutions needs to be done carefully considering the differences in scale, organizational structure, and maturity level of GRC between institutions. Further comparative research across financing SOEs will strengthen the external validity of the seven optimization strategies formulated.

CONCLUSION

The findings of this study indicated that communication between the Internal Audit Unit (Satuan Pengawasan Intern, SPI), operating as the third line, and the Risk Management Division, operating as the second line, at PT Pegadaian (Persero) remained suboptimal. Both functions tended to operate in organizational silos, with insufficient coordination and information exchange. The Risk Management Division had not established a comprehensive risk register to support risk-based internal audit planning and execution. Consequently, the 1,491 chart of accounts (CoA)-related conditions and 72 CoA-related causes identified through internal audit activities had not been systematically integrated into the company's risk profile, limiting their usefulness in producing meaningful, risk-oriented reports for senior management and the Board of Directors. Four principal communication barriers were identified: organizational and cultural barriers, particularly a silo mentality and differences in professional perspectives; structural barriers arising from the absence of formal communication and coordination mechanisms; technical barriers associated with an incomplete risk register and inadequate information integration; and misconceptions regarding internal audit independence, which was incorrectly interpreted as organizational isolation rather than independence from management responsibilities and undue interference.

Based on these findings, the study proposed seven strategies to optimize internal audit effectiveness through improved communication and coordination with the Risk Management Division. These strategies included aligning risk terminology and taxonomies to establish a shared understanding of organizational risks; facilitating structured exchanges of audit findings, risk registers, and other relevant work products; establishing periodic risk dialogue forums to strengthen coordination; improving the formulation of audit findings through root cause analysis (RCA) and recommendations based on SMART criteria (specific, measurable, achievable, relevant, and time-bound); developing an integrated governance, risk management, and internal audit information system; strengthening professional competencies through joint training and capacity-building initiatives; and establishing formal internal policies governing communication and information exchange between the second and third lines. The proposed strategies were intended to improve the integration of risk management information into internal audit activities, strengthen the relevance and actionability of audit recommendations, and support more effective governance and organizational decision-making while preserving internal audit independence and objectivity.

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