

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF COMMERCE**  
**MASTER OF BANKING AND FINANCE PROGRAMME**

**THE EFFECT OF INTERNAL CONTROL PRACTICES**  
**ON OPERATIONAL PERFORMANCE AT MYANMAR**  
**ORIENTAL BANK LIMITED**

**PHYU PHYU WINN MAUNG**

**EMBF - 33**

**EMBF 10<sup>th</sup> BATCH**

**JUNE, 2025**

**THE EFFECT OF INTERNAL CONTROL PRACTICES  
ON OPERATIONAL PERFORMANCE AT MYANMAR  
ORIENTAL BANK LIMITED**

A thesis submitted to the Board of Examiners in partial fulfillment of the requirements for the degree of Executive Master of Banking and Finance (EMBF)

**ACADEMIC YEAR (2023 – 2025)**

**Supervised by:**

Prof. Dr. Thynn Thynn Myint  
Professor/Head  
Department of Commerce  
Yangon University of Economics

**Submitted by:**

Phyu Phyu Winn Maung  
EMBF - 33  
EMBF 10<sup>th</sup> Batch  
2023-2025

**JUNE, 2025**

## ACCEPTANCE

Accepted by the Board of Examiners of the Department of Commerce,  
Yangon University of Economics, in partial fulfillment for the requirements of the  
Master Degree, Executive Master of Banking and Finance.

## BOARD OF EXAMINARS

-----

(Chairperson)

Prof. Dr. Tin Tin Htwe

Rector

Yangon University of Economics

-----

(Supervisor)

Prof. Dr. Thynn Thynn Myint

Professor/Head

Department of Commerce

Yangon University of Economics

-----

(Examiner)

Prof. Dr. Aye Thu Htun

Professor

Department of Commerce

Yangon University of Economics

-----

(Examiner)

Prof. Dr. May Su Myat Htway Aung

Professor

Department of Commerce

Yangon University of Economics

-----

(Supervisor)

Dr. Phu Pwint Nyo Win Aung

Associate Professor

Department of Commerce

Yangon University of Economics

**JUNE, 2025**

## **ABSTRACT**

The main objective of this study is to examine the effect of internal control practices on the operational performance of Myanmar Oriental Bank (MOB). The study focuses on five key internal control components based on the COSO framework: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. A quantitative research approach was applied, using both primary and secondary data for analysis. Primary data were collected through structured questionnaires distributed to employees of MOB, using a five-point Likert scale to capture perceptions of internal control practices and operational performance. Secondary data were obtained from official reports, documents, and related literature. The data was summarized using descriptive statistics, and the relationship between operational performance and internal control practices was evaluated using regression analysis. The results indicate that operational performance is significantly enhanced by three components: Risk Assessment, Control Activities, and Monitoring Activities. Monitoring Activities exhibited the most significant impact, followed by Control Activities and Risk Assessment. Information and Communication and Control Environment also make positive contributions, but their influence is not substantial. The study suggests that MOB should enhance employee training, refine risk management and communication, and further strengthen Monitoring Activities and Control Activities to improve operational efficiency and performance, as indicated by these results.

## **ACKNOWLEDGEMENTS**

Firstly, I would like to express my sincere gratitude to Prof. Dr. Tin Tin Htwe, Rector of Yangon University of Economics, for granting permission to conduct this study as part of the Master of Banking and Finance program.

I am deeply thankful to Prof. Dr. Thynn Thynn Myint, Professor and Head of the Department of Commerce, and Programme Director of the Master of Banking and Finance Program at Yangon University of Economics. Her continuous encouragement, valuable advice, and great care have greatly contributed to the success of the program and my academic journey. I am especially grateful to her for serving as my supervisor and examiner. Without her kind supervision, stimulating suggestions, and invaluable guidance, I would not have been able to complete this research paper.

Moreover, I wish to convey my deepest appreciation to all professors, lecturers, instructors, visiting lecturers, and my classmates from the seventh batch of the Master of Banking and Finance program at Yangon University of Economics for their support and collaboration.

I extend my special thanks to the Board of Directors, especially the Chairman of the Audit Committee, Senior Management, Heads of Departments, managers, and staff of Myanmar Oriental Bank Limited for their generous cooperation, support, and for sharing the necessary knowledge and information for this study.

Finally, I am grateful to my classmates from the EMBF 10th Batch for sharing the spirit of friendship throughout the learning period. I also wish to acknowledge all the teachers who shared their valuable knowledge and experience during their lectures. Without their encouragement, support, and assistance, I would not have achieved success in my studies.

## TABLE OF CONTENTS

	<b>Page</b>
<b>ABSTRACT</b>	i
<b>ACKNOWLEDGEMENT</b>	ii
<b>TABLE OF CONTENTS</b>	iii
<b>LIST OF TABLES</b>	v
<b>LIST OF FIGURES</b>	vi
<b>CHAPTER 1 INTRODUCTION</b>	<b>1</b>
1.1 Rationale of the Study	3
1.2 Objectives of the Study	5
1.3 Scope and Method of the Study	5
1.4 Organization of the Study	6
<b>CHAPTER 2 THEORETICAL BACKGROUND</b>	<b>7</b>
2.1 Internal Control Practices	7
2.2 Operational Performance	8
2.3 Related Theory	10
2.4 Previous Studies	12
2.5 Conceptual Framework of the Study	15
<b>CHAPTR 3 PROFILE AND THE EFFECT OF INTERNAL CONTROL PRACTICES ON OPERATIONAL PERFORMANCE AT MYANMAR ORIENTAL BANK</b>	<b>19</b>
3.1 Profile of Myanmar Oriental Bank	19
3.2 Organization Structure of Myanmar Oriental Bank	20
3.3 Internal Control Practices in Myanmar Oriental Bank	22

<b>CHAPTER 4</b>	<b>ANALYSIS ON THE EFFECT OF INTERNAL CONTROL SYSTEM ON OPERATIONAL PERFORMANCE AT MYANMAR ORIENTAL BANK</b>	<b>26</b>
4.1	Research Design	26
4.2	Demographic Characteristics of Respondents	27
4.3	Reliability and Validity Test for Variables	28
4.4	Descriptive Analysis on Internal Control System and Operational Performance	30
4.5	Analysis on The Effect of Internal Control Practices on Operational Performance	40
<b>CHAPTER 5</b>	<b>CONCLUSION</b>	<b>43</b>
5.1	Findings and Discussions	43
5.2	Suggestions and Recommendations	44
5.3	Needs for Further Studies	46
	<b>REFERENCES</b>	<b>47</b>
	<b>APPENDIX 1</b>	<b>49</b>
	<b>APPENDIX 2</b>	<b>50</b>
	<b>APPENDIX 3</b>	<b>56</b>

## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page</b>
2.1	Five Components and 17 principles of internal control (2013)	12
4.1	Demographic Data of Respondents	27
4.2	Cronbach's Coefficient Alpha	29
4.3	Cronbach's Alpha and KMO Test	29
4.4	Mean Score Interpretation	30
4.5	Control Environment	31
4.6	Risk Assessment	32
4.7	Control Activities	33
4.8	Information & Communication	34
4.9	Monitoring	35
4.10	Overall Mean Value of Internal Control Practices	36
4.11	Operational Performance	37
4.12	Correlation between Internal Control Components and Operational Performance	39
4.13	Effect of Influencing Factors on Operational Performance	40

## LIST OF FIGURES

<b>Figure No.</b>	<b>Title</b>	<b>Page</b>
2.1	COSO Framework	12
2.2	Conceptualization Framework of the Private Banks of Trincomalee	13
2.3	Conceptualization Framework of the impact of internal control systems on organizational performance.	14
2.4	Conceptual Framework of the Commercial Bank Branches in Bomet and Kericho Counties, Kenya	15
2.5	Conceptual framework of the Internal Control Practices and Operational Performance	17
3.1	Organizational Structure of Myanmar Oriental Bank	49

# CHAPTER I

## INTRODUCTION

Internal control techniques are defined by rules, processes, and mechanisms that an organization uses to assure financial reporting accuracy, asset protection, operational efficiency, and legal compliance (COSO, 2013). These practices mitigate risks and achieve strategic, operational, and compliance goals through checks and balances (Arhin, 2015). Internal controls protect operations, promote transparency and accountability, and reduce mistakes, fraud, and inefficiencies (Cheng, Goh, & Kim, 2018).

To achieve strategic goals, an organization must perform its business operations efficiently and effectively (Venkatraman & Ramanujam, 1986). Bank operational performance includes service quality, risk management, transaction efficiency, customer happiness, and regulatory compliance (Al-Tamimi, 2010). High operational performance keeps a bank competitive, lucrative, and trustworthy to regulators and customers (Said & Tumin, 2011).

According to COSO (2013), an entity's board of directors, management, and other personnel use internal control to make sure that operational, reporting, and compliance goals are met. In this framework, internal control processes are based on risk assessment, control action, information, communication, monitoring, and the control environment. This reduces fraud, mistakes, and inefficiencies while increasing openness and responsibility in a company.

Internal control principles are built on established organizational practices and must be consistently applied to be effective (COSO, 2013). However, challenges such as inconsistent application, lack of staff commitment, or outdated procedures can weaken control systems (Spencer Pickett, 2010; OAG (Canada), 2011). These weaknesses may reduce the reliability of internal control functions, thereby increasing the risk of operational inefficiencies and regulatory non-compliance. Due to human error and collusion, internal controls cannot guarantee accuracy (Markgraf, 2018). Continuous review and enhancement of control systems are necessary.

Internal control methods are crucial in banking because to the complexity of financial transactions, the sensitivity of client data, the huge number of daily activities, and the strict regulatory environment. Internal control practices aid regulatory

compliance, asset protection, financial and operational risk management, and decision-making (Basel Committee on Banking Supervision, 2012). These methods help banks operate, retain public trust, sustain the organization, and develop.

This research looks at operational performance and internal control approaches using a conceptual framework. We looked at how parts of internal control, such risk assessment, control actions, information and communication, and monitoring, affect the efficiency of banking processes.

In this study, operational performance is considered the dependent variable and represents the effectiveness and efficiency with which Myanmar Oriental Bank (MOB) conducts its day-to-day banking operations. Operational performance includes key dimensions such as fraud and error mitigation, compliance with internal policies and external regulations, cost and time efficiency, smooth process flow, and the achievement of organizational objectives. High operational performance ensures that the bank delivers quality services, manages risks effectively, and meets its strategic goals while maintaining trust and competitiveness in the financial sector. This research examines how internal control methods improve MOB departmental operational performance.

Private commercial bank Myanmar Oriental Bank (MOB) operates in Myanmar. MOB, like other banks, challenges digital transformation, increased consumer expectations, competitive pressures, and changing regulatory constraints. To meet these demands, MOB has implemented internal control mechanisms aimed at safeguarding assets, reducing operational risk, and ensuring regulatory compliance.

At Myanmar Oriental Bank (MOB), internal control practices include transaction authorization protocols, regular internal audits, dual control procedures for cash handling, and compliance checks aligned with Central Bank of Myanmar regulations. However, challenges remain, such as inconsistent application of control procedures across branches and limited real-time monitoring of certain operational risks. Therefore, it is important to evaluate how effectively these specific internal control measures contribute to the bank's overall operational performance.

This research looks at the internal control methods and operational performance of Myanmar Oriental Bank (MOB). The study looks at the five main parts of internal control and how they affect operational performance. Its goals are to find the strengths

and weaknesses of the current control system, suggest ways to improve it, and make MOB's risk management, operational efficiency, and financial sustainability better.

Bank executives, auditors, and politicians seeking to improve internal control systems and banking performance might find the results useful.

## **1.1 Rationale of the Study**

Internal control underpins efficiency, integrity, and sustainability in every firm. A organized system of checks and balances guides operations, detects abnormalities, ensures financial information dependability, and enforces rules and regulations. Any firm needs robust internal controls to reduce operational risks, protect assets, and improve decision-making.

Financial operations include huge transaction volumes, public trust, and strict regulatory scrutiny, making internal control crucial in banking. Fraud, mismanagement, data breaches, and financial law violations can result in reputational harm, legal fines, and financial loss due to weak internal control mechanisms. Banks use internal control as a strategic instrument for sustainability, expansion, and customer trust, not merely for compliance.

In banking, where financial integrity and risk management are crucial, internal control is essential for operational dependability, asset protection, and strategic goals. Internal control systems identify and prevent fraud, decrease mistakes, maintain legal compliance, and boost operational efficiency (COSO, 2013). Strong internal controls help Myanmar Oriental Bank (MOB) develop stakeholder confidence, comply with regulations, and improve service performance. Internal control methods are more necessary than ever due to banking operations' complexity and operational concerns. This research examines how internal control techniques affect operational performance to show how they may help MOB achieve operational excellence and reduce risks.

This study employs the COSO Internal Control Framework (2013), a widely used approach for creating, implementing, and analyzing internal control systems. COSO defines internal control as “a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.” COSO covers Control Environment, Risk Assessment, Control Activities, Information

and Communication, and Monitoring Activities. A good internal control assessment foundation is achieved.

Using COSO in this research enables a complete and internationally uniform assessment of MOB internal control processes. Each COSO component affects operational outcomes: Control environment shapes the organization's ethical and operational culture, risk assessment identifies and mitigates potential threats to stability and performance, control activities implement risk response policies and procedures, information, and communication provide fast and effective data flow for informed decision-making and monitoring continuously evaluate and adapt the control system.

The rationale for focusing on operational performance as the dependent variable lies in its critical role in determining how efficiently and effectively a bank functions. Operational performance encompasses the bank's ability to: prevent fraud and errors, comply with regulatory standards, maintain cost-effective and timely operations, improve process flows and interdepartmental coordination and achieving strategic and operational goals.

These dimensions are directly influenced by the strength of internal control mechanisms. A robust internal control system contributes to fraud prevention, compliance adherence, resource optimization, and goal achievement, all of which are core indicators of high operational performance. Studying the link between internal control procedures and operational performance shows how internal control helps organizations succeed.

Myanmar Oriental Bank (MOB) Limited faces operational and regulatory risks in a constantly changing financial environment, making strong internal control systems important. Myanmar Oriental Bank (MOB) struggles with regulatory alignment, operational risks, and transaction efficiency like many Myanmar financial institutions (ADB, 2019; World Bank, 2020). The bank may manage these risks and preserve operational excellence by using good internal control practices such as division of roles, permission processes, frequent reconciliations, and constant monitoring (COSO, 2013; Spencer Pickett, 2010).

This research measures the impact of internal control methods on MOB operational performance to find strengths and weaknesses. It provides evidence-based advice to improve banking operations, compliance, risks, and sustainable development.

This report will also help MOB and other banks, and financial institutions enhance their internal control systems and performance.

## **1.2 Objectives of the Study**

This study aims to examine the effect of internal control practices on the operational performance at MOB. The objectives of the study are as follows:

1. To identify the internal control practices of MOB.
2. To analyze the effect of internal control practices on operational performance of MOB.

## **1.3 Scope and Method of the Study**

This research was descriptive and quantitative. Quantitative approaches examined the link between internal control practices and operational performance, whereas descriptive statistics summarized demographic data and identified broad tendencies.

This examination examined Myanmar Oriental Bank's internal control and operational performance. It examined how control environment, risk assessment, control activities, information and communication, and monitoring impact bank efficiency, effectiveness, and risk management.

The scope of this study was limited to the following departments of MOB: Finance Department, Internal Audit Department, Credit Department, Risk & Compliance Department, Human Resources Department, IT Department and Operations Department during the 2024–2025 fiscal year. The study targeted managerial-level personnel - specifically department heads, unit managers, and operational supervisors - who were directly involved in implementing and overseeing internal control practices. These individuals were considered best positioned to provide informed insights into the effectiveness, challenges, and practical application of internal controls within their respective departments.

According to data obtained from the Human Resources Department of MOB, the total number of managerial-level employees in the selected departments was 230 employees. To ensure representativeness while maintaining feasibility, the study used a simple random sampling method. The sample size was determined using the Taro Yamane (1967) formula, resulting in a final sample of 147 respondents.

This research was descriptive and quantitative. Quantitative approaches examined the link between internal control practices and operational performance, whereas descriptive statistics summarized demographic data and identified broad tendencies.

The COSO Internal Control Framework's five components—Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring—were used to collect primary data using structured questionnaires. Each component was rated on Likert scales. Personal observations of workplace practices and internal control actions supported the conclusions.

Secondary data were obtained from peer-reviewed academic journals, textbooks, previous research studies, official MOB documents, regulatory guidelines, and publications from the Central Bank of Myanmar (CBM).

Data was analyzed using descriptive and inferential statistics. Frequencies, means, and standard deviations described respondents and summarized questionnaire results. Multiple linear regression was used to assess how internal control techniques (independent variables) affected operational performance. This method allowed for evaluating the strength and statistical significance of each internal control component's contribution to operational performance outcomes.

#### **1.4 Organization of the Study**

To address the research topic clearly and coherently, this study has five thorough chapters. Chapter One describes the study's background, objectives, scope, methodology, and organization, focusing on how internal control methods impact Myanmar Oriental Bank's operational performance. Chapter 2 provides theoretical foundation on internal control techniques and operational performance, focused on the COSO Framework. It establishes fundamental concepts and the study's conceptual framework. Chapter Three covers MOB's organization, operations, and internal control processes in reference to the five COSO Framework components. Chapter Four uses descriptive statistics and regression analysis to explore how internal control practises affect operational performance. Chapter Five summarizes the findings, provides ways to improve MOB's internal control, acknowledges the study's shortcomings, and advises further research.

## **CHAPTER II**

### **THEORETICAL BACKGROUND**

This chapter provides the theoretical background and associated literature for the research on internal control methods and operational performance at Myanmar Oriental Bank (MOB) Limited. It defines internal control, explains the COSO Framework and its five components, discusses internal control theories, and links internal controls to organizational performance. The chapter also discusses banking operations' main performance drivers and creates the conceptual foundation for assessing MOB's internal control practices' impact on performance.

#### **2.1 Internal Control Practices**

Management of a bank creates internal control policies, procedures, and processes to protect assets, prevent and detect fraud or mistakes, comply with laws and regulations, and aid decision-making. Effective financial management and operations depend on these tactics.

The AICPA implemented internal control in 1949. It covers an organization's entire plan and all activities to preserve assets, examine financial data, increase operational efficiency, and follow management policies.

An entity's board of directors, management, and other people offer reasonable assurance of operational effectiveness and efficiency, reliable financial reporting, and compliance with applicable rules and regulations through internal control (COSO, 2013).

Internal control practices are rules, processes, and structures that fulfill organizational goals. These are ongoing, coordinated procedures across departments and management levels. Internal control systems help banks like Myanmar Oriental Bank (MOB) manage risks, secure client assets, comply with financial requirements, and preserve public confidence.

The COSO Framework defines five critical internal control techniques, which this study uses: The Control Environment: Management philosophy, organizational structure, and ethics underpin internal control. Risk Assessment: Identifying and assessing threats to organizational goals Control Activities: Policies and procedures to mitigate risks and assure compliance, Information and Communication: Systems and

methods for capturing, processing, and sharing pertinent data internally and externally  
Monitoring Activities: Regular checks and adjustments to internal controls.

The International Finance Corporation (IFC, 2010) emphasizes that internal controls enhance corporate governance, prevent fraud, promote transparency, and support managerial decision-making. Furthermore, the Basel Committee on Banking Supervision (BCBS) highlights that a sound internal control system is critical for risk identification, assessment, and mitigation in financial institutions.

## **2.2 Operational Performance**

Operational performance is the extent to which an organization efficiently and effectively utilizes its resources to achieve strategic goals. It includes key dimensions such as productivity, efficiency, effectiveness, compliance, and quality of service delivery. High operational performance enables institutions to meet customer expectations, adhere to regulatory requirements, manage risks effectively, and maintain competitiveness.

Internal control practices play a critical role in enhancing operational performance by helping organizations manage risks, ensure timely and accurate information, improve regulatory compliance, and promote accountability. When well-designed and properly implemented, these controls contribute to smoother workflows, reduced operational errors, and optimized use of resources. In the banking sector, such systems are essential for safeguarding financial assets, delivering services efficiently, and achieving overall organizational objectives.

According to COSO (2013) and Arhin (2015), internal controls are central to streamlining workflows, improving resource allocation, and enhancing service efficiency. Organizations with strong internal control practices tend to achieve better operational performance, including effective risk mitigation, improved service quality, increased customer satisfaction, and enhanced financial stability. These performances are often evaluated through the principles of economy, efficiency, and effectiveness—commonly referred to as the Three Es.

In this study, operational performance is assessed through five dimensions commonly influenced by internal control practices:

**a) Mitigation of Fraud and Errors**

Internal controls, especially preventative and investigative controls, decrease fraud and data errors. These controls protect assets and verify financial and operational data (COSO, 2013; Arhin, 2015).

**b) Ensuring Compliance**

Compliance with internal policies and external regulations is a critical indicator of operational performance. Strong internal controls ensure that organizational activities adhere to legal standards, which helps maintain institutional credibility and reduces the risk of penalties (IFC, 2010; Basel Committee on Banking Supervision [BCBS], 2012).

**c) Operational Efficiency (Time and Cost Savings)**

Efficient operations are characterized by reduced processing times and lower costs. Internal controls contribute to efficiency by eliminating redundancies, clarifying roles and procedures, and minimizing waste and operational errors (Palmer, 1993; Drucker, 1999; COSO, 2013).

**d) Improve Process Flow**

Well-structured control activities facilitate smooth coordination across functions and departments. Defined workflows, clear responsibilities, and consistent communication enhance the timeliness and accuracy of operations (Arhin, 2015; COSO, 2013).

**e) Achievement of Organizational Goals**

Operational performance is ultimately measured by the extent to which strategic objectives are achieved. Internal controls help align day-to-day operations with long-term goals by supporting accountability, performance tracking, and continuous improvement (Drucker, 1999; IFC, 2010).

These five dimensions provide a comprehensive theoretical framework for evaluating operational performance and serve as key indicators in analyzing the effectiveness of internal control systems.

## **2.3 Related Theory**

The theoretical underpinning of this study is COSO Internal Control - Integrated Framework (2013). Creating, implementing, and evaluating organizational internal control systems is the COSO Framework's specialty.

Two of five major U.S. professional organizations, AICPA and IIA, established the COSO Framework in 1992 and updated it in 2013. Coverage includes governance, internal control, and risk management.

The framework helps organizations create and maintain internal controls via risk management and compliance. Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities comprise a complete operating, reporting, and compliance system.

### **a) Control Environment**

The organization's tone and employee control consciousness depend on the control environment, the foundation of all internal control systems. Values, ethics, leadership, and structure are included. A solid control environment shows the company's credibility and ethics.

### **b) Risk Assessment**

This step involves identifying and assessing hazards that might derail the company's goals. Risk assessment helps MOB respond to new challenges and maintain a dynamic operational environment.

### **c) Control Activities**

These rules and procedures guarantee management's orders are followed. Physical controls, approvals, verifications, reconciliations, and segregation of roles are examples. These actions reduce risk and maintain operational discipline.

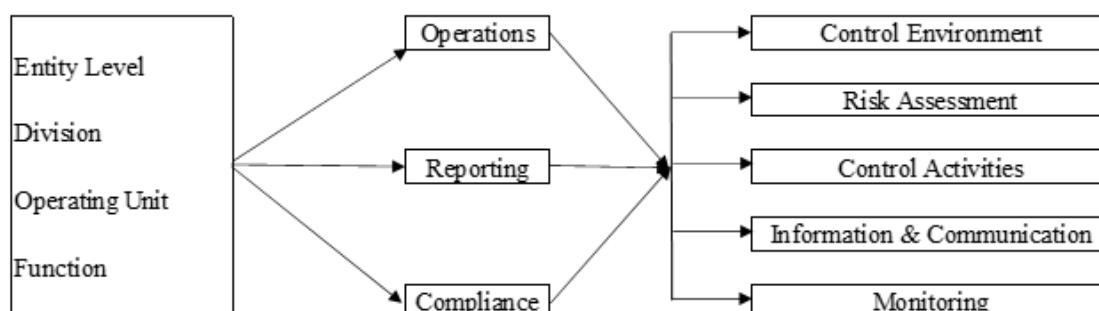
### **d) Information and Communication**

Communication must be timely, relevant, and dependable for internal control. This component guarantees that employees and management receive correct information for decision-making and control.

**e) Monitoring Activities**

Monitoring involves ongoing evaluation of the internal control system's effectiveness through routine checks, audits, and performance reviews. It ensures that controls remain relevant and function as intended over time.

**Figure (2.1) COSO Framework**



Source: Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework (2013)

The updated COSO 2013 Framework introduces the COSO Cube, a visual representation that integrates these five components across organizational levels and objectives, along with 17 guiding principles.

**Table (2.1) Five Components and 17 principles of internal control (2013)**

<b>5 Components</b>	<b>17 Principles</b>
Control Environment	1. Demonstrates Commitment to Integrity and ethical values 2. Exercises oversight responsibility 3. Establishes structure, authority and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability
Risk Assessment	6. Specifies suitable objectives 7. Identified and analyzes risk 8. Accesses fraud risk 9. Identifies and analyzes significant change
Control Activities	10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys control activities through policies and procedures
Information and communication	13. Uses relevant information 14. Communicates internally 15. Communicates externally
Monitoring Activities	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

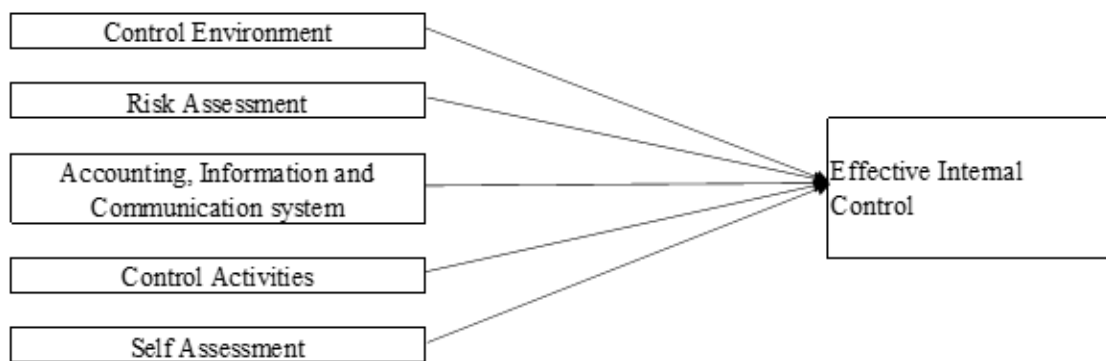
Source: Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework (2013)

Among COSO’s 17 principles, Principle 17 holds relevance for this research. It emphasizes the importance of timely identification and communication of internal control deficiencies to the appropriate personnel, ensuring prompt corrective action. For MOB, this principle supports operational performance by reducing disruptions, promoting continuous process improvements, and ensuring alignment with strategic goals.

## 2.4 Previous Studies

“The Effectiveness of the Internal Control System in the Private Banks of Trincomalee” by S. Kumuthinidevi (2016) examines private sector banks' internal control systems. Research explored how internal control systems enhance banking operations. Five COSO internal control framework-based independent variables—Control Environment, Risk Assessment, Accounting, Information and Communication System, Control Activities, and Self-Assessment—were used to examine the internal control system. This study examines variables and internal control system efficacy. Figure 2.2 depicts research conceptual framework.

**Figure (2.2) Conceptual Framework of the S.Kumuthinidevi (2016)**



Source: S.Kumuthinidevi (2016)

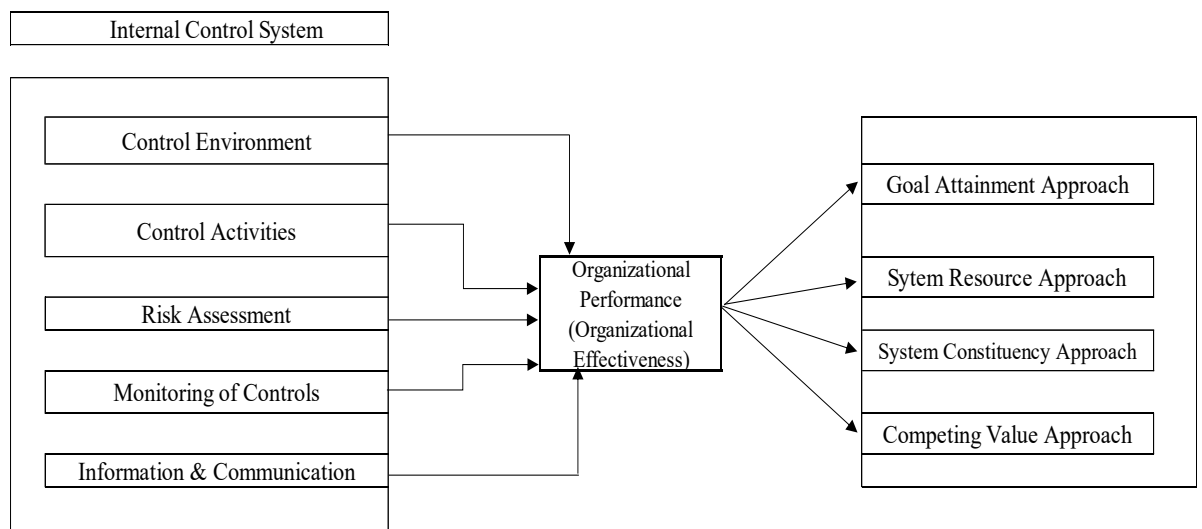
All five independent variables indicated modest internal control system efficacy. This shows that internal control components are present but moderately implemented and affect performance. The study found that these internal control features moderately improve private bank operations.

Frank Nana Kweku Otoo, Manpreet Kaur, and Nissar Ahmed Rather (2023) studied “Evaluating the Impact of Internal Control Systems on Organizational

Effectiveness.” The study examined how internal control components affect organization performance.

The researchers used five independent variables—Control Environment, Control Activities, Risk Assessment, Monitoring of Controls, and Information & Communication—based on the COSO internal control architecture. This study tests the internal control practices-organizational effectiveness relationship. Research's conceptual framework shown in Figure 2.3.

**Figure (2.3) Conceptual Framework of the Frank Nana Kweku Otoo, Manpreet Kaur and Nissar Ahmed Rather (2023)**



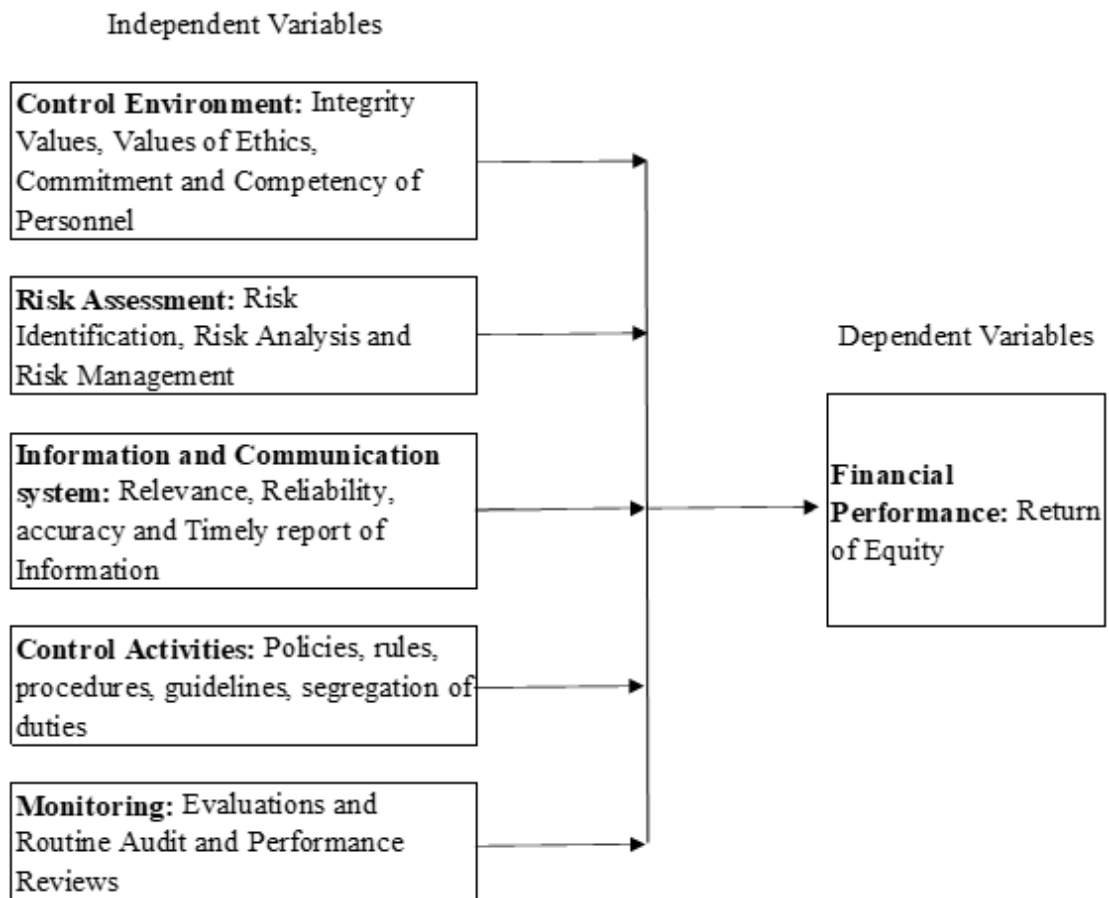
Source: Frank Nana Kweku Otoo, Manpreet Kaur and Nissar Ahmed Rather (2023)

Control Environment, Control Activities, and Risk Assessment significantly improved organizational effectiveness. However, Monitoring, Information, and Communication did not significantly affect efficacy in the sample.

Leonard (2022) examined “The Effect of Internal Control Systems on Financial Performance of Commercial Bank Branches in Bomet and Kericho Counties, Kenya.” The study examined how internal control system components affect branch-level commercial bank financial performance.

The researcher used COSO internal control framework independent variables Control Environment, Risk Assessment, Accounting, Information and Communication System, Control Activities, and Self-Assessment. Research conceptual framework is in Figure 2.4.

**Figure (2.4) Conceptual Framework of the Commercial Bank Branches in Bomet and Kericho Counties, Kenya**



Source: Korir Kipkirui Leonard (2022)

The study indicated that internal control components affect performance differently. Risk Assessment and Control Activities improved financial performance, whereas Control Environment and Monitoring impaired it, with Monitoring being significant. Information and Communication helped but not significantly. These findings suggest improving performance by strengthening risk and control mechanisms and carefully designing monitoring and organizational structures.

Operational performance and financial performance are closely related in the banking sector. Operational performance reflects how efficiently and effectively an organization carries out its processes to achieve its objectives, including timely service delivery, cost management, compliance with regulations, and risk mitigation. These operational outcomes are essential because they directly influence financial results (PWC, 2014; COSO, 2013).

One of the key measures of financial performance is Return on Equity (ROE), which assesses the profitability generated from shareholders' equity. When a bank achieves high operational performance, it optimizes the use of its resources, reduces unnecessary costs, minimizes losses from errors or fraud, and ensures adherence to regulatory requirements — all of which can lead to stronger profitability and higher ROE (Arhin, 2015).

In the case of MOB, strengthening internal control practices that support operational performance, such as Monitoring Activities, Control Activities, and Risk Assessment, can help improve cost efficiency, reduce operational risks, and ultimately contribute to stronger financial results, including higher ROE.

## **2.5 Conceptual Framework of the study**

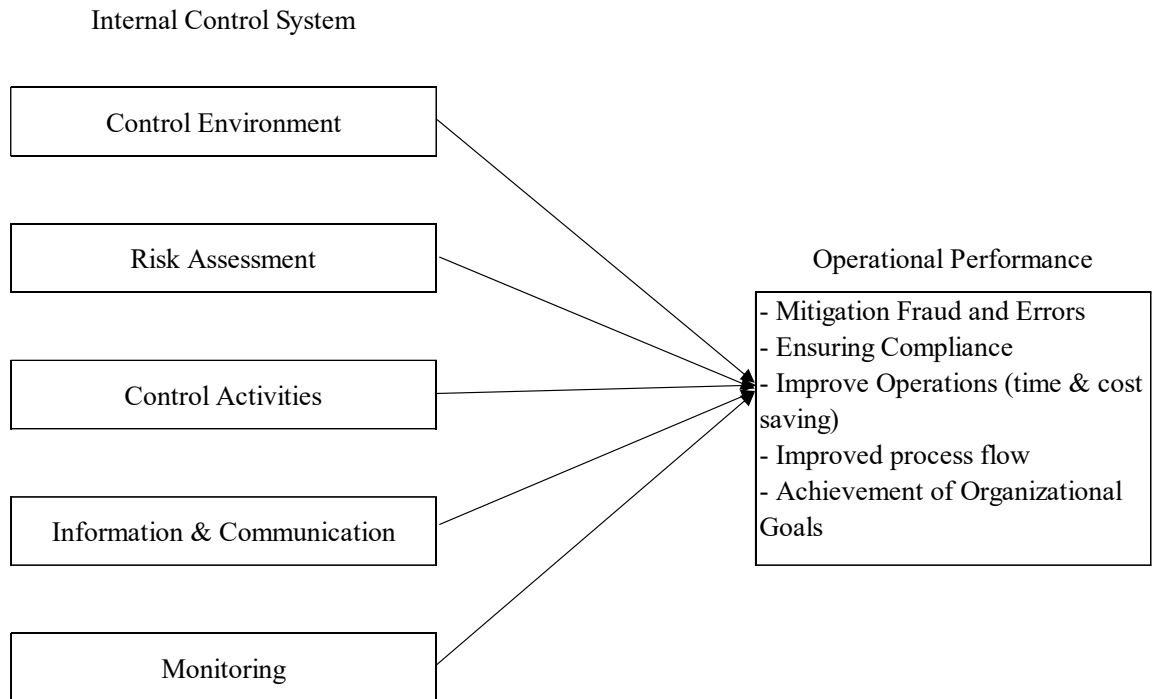
This study uses COSO (2013) Internal Control – Integrated Framework. Five COSO Framework internal control components are this study's independent variables: Risk assessment, control, communication, and environment. This study's dependent variable is an organization's operational performance, which these components may affect. The dependent variable in this research, operational performance, is thought to be highly affected by these components.

Operational performance is assessed through five key dimensions commonly influenced by internal control practices: Mitigation of Fraud and Errors – Internal controls help prevent financial misstatements, asset loss, and enhance record accuracy, Ensuring Compliance – Controls ensure adherence to internal policies, regulations, and ethical standards, Operational Efficiency (Time and Cost Savings) – Controls streamline workflows and reduce waste, leading to improved productivity, Improved Process Flow – Well-structured procedures enhance coordination and clarity across departments and Achievement of Organizational Goals – Effective controls support goal-setting, performance monitoring, and strategic success.

This conceptual framework uses the COSO (2013) paradigm to identify internal control methods as independent variables. Operating performance is defined using banking performance ideas and past investigations. Together, these sources provide empirical justification for selecting and structuring the variables in this study. The working definitions of the core concepts are adapted from COSO's theoretical model

for internal control components, and from existing studies for operational performance, to analyze how each control component contributes to performance improvement in the banking sector. The conceptual framework of the study defined in following Figure (2.5).

**Figure (2.5) Conceptual framework of the Study**



Source: Own Compilation (2025)

## **Working Definition**

### **Internal Control**

Regulated commercial bank Myanmar Oriental Bank Limited (MOB) implements COSO-based internal controls. MOB internal controls encompass Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. The bank's organizational culture, policies, and everyday operations include these controls to protect assets, maintain regulatory compliance, reduce operational risks, and improve financial and operational processes.

MOB's operational performance is measured by fraud and error prevention, law and regulatory compliance, cost and time management efficiency, process flow smoothness, and organizational goals. The bank strengthens internal controls to

improve operational performance, encouraging confidence, transparency, and sustainable growth in Myanmar's banking system.

### **Control Environment**

At MOB, establishing a formal internal control policy and demonstrating senior management's commitment to internal control are key priorities. Determining ethical standards, defining roles and responsibilities, holding employees accountable for following internal control practices, ensuring employee awareness and understanding, and effectively communicating internal control practices across the organization form the foundation of the control environment.

### **Risk Assessment**

MOB is regularly identifying and evaluating potential risks that could affect operations, establishing a formal risk assessment procedure, integrating risk assessments into strategic and operational planning, taking appropriate actions based on the results of risk assessments, detecting and assessing risks related to fraud and errors, regularly updating risk assessment procedures to reflect changes in both the internal and external environment, and training employees to identify and report potential risks that are within their responsibilities.

### **Control Activities**

MOB has implementing effective internal control practices and establishing written policies and procedures guide daily operations. Ensuring authorization and approval processes, segregating duties to reduce risks, applying controls consistently across departments, taking corrective actions for identified fraud or errors, and regularly monitoring and reviewing control effectiveness help maintain operational integrity.

### **Information and Communication**

MOB is communicating internal control information clearly and in a timely manner, providing training on internal control procedures, using appropriate systems for collecting and sharing information to support decision-making, allowing employees to report issues without fear of retaliation, establishing reporting mechanisms for fraud and control breaches, reporting compliance and audit findings to the Central Bank of Myanmar, and encouraging feedback to improve internal control and communication processes.

## **Monitoring Activities**

At MOB, conducting regular internal audits and thoroughly reviewing audit reports by management ensure ongoing control evaluation. Ensuring timely external audits, implementing recommendations, regularly reviewing control practices, using monitoring results to improve controls, and taking appropriate actions based on audit findings sustain effective oversight.

## **Operational Performance**

In order to improve operational efficiency at MOB, it is necessary to reduce fraud by enhancing the role of internal auditing and to reduce mistakes by conducting audits so that they are more effective. One of its components is the implementation of internal control systems, which helps reduce instances of fraud and errors. It is the primary priority of the bank to ensure that it complies with regulations published by the Central Bank of Myanmar, to ensure that its workers comprehend the requirements of the regulations, and to encourage adherence to the rules. In addition, critical practices include making effective use of available resources, cutting expenditures that aren't necessary, implementing processes that save time, and avoiding operational waste through the implementation of effective internal control measures. Streamlining everyday operations, establishing and adhering to workflow rules, and ensuring that departments communicate effectively and in a timely manner are all factors that lead to enhanced process flow. In addition, the bank's dedication to operational excellence is shown in the fact that it is committed to supporting the attainment of strategic goals, fulfilling performance targets on a regular basis, and aligning operational outcomes with the bank's purpose and objectives.

## **CHAPTER III**

### **PROFILE AND THE EFFECT OF INTERNAL CONTROL PRACTICES ON OPERATIONAL PERFORMANCE AT MYANMAR ORIENTAL BANK**

This chapter provides an overview of the banking industry in Myanmar, highlighting its current landscape and regulatory environment. It also presents a detailed profile of Myanmar Oriental Bank Limited (MOB), focusing on its history, operations, and role within the Myanmar banking sector. Furthermore, this chapter describes the internal control practices implemented at MOB and examines how these controls impact the operational performance of the bank. The aim is to establish a clear context for understanding the research methodology applied in studying the relationship between internal control practices and operational efficiency at Myanmar Oriental Bank.

#### **3.1 Profile of Myanmar Oriental Bank**

Myanmar Oriental Bank Limited began operations on November 18, 1993, as a private limited bank under the Financial Institutions of Myanmar Law. The original members were eminent bankers who had retired from state-owned banks, family members with the majority of shares, and their close commercial friends and relatives.

By offering reliable banking services and promoting financial intermediation in Myanmar for 30 years, the bank has helped stabilize and expand domestic banking. In its 48 locations nationwide, the bank provides current accounts in USD, EUR, SGD, THB, and CNY and Myanmar Kyat for call, savings, and fixed deposits. The bank provides commercial loans, trust services, remittance services, and mobile banking to customers.

The bank was one of the first to do foreign currency transactions and international banking with Central Bank of Myanmar approval. Among the first six private banks permitted to open currency exchange counters in the nation. The bank offers 20 currency exchange desks in Yangon and other business areas. As a leading member of the Myanmar Payment Union, the bank has deployed ATM and POS debit and credit card services to advance electronic payment systems nationwide. Through correspondent banking with 29 local and 57 worldwide banks, the bank has built an

international network. The bank partners with Western Union to allow clients to transfer funds to and from over 100 countries.

MOB's subsidiary Oriental Leasing Company Limited (OLCL) helps customers acquire houses and other durable goods. The bank holds 99% of the company's equity.

### **3.2 Organization Structure of Myanmar Oriental Bank**

The MOB Bank headquarters has (15) departments. These divisions handle MOB internal control as steering committees. Figure 3.1 (appendix 1) shows the MOB organizational chart.

Myanmar Oriental Bank (MOB) has fifteen divisions at its main office, however the Internal Audit Department is crucial to monitoring and improving internal control. As an independent and objective unit, this department is responsible for evaluating the effectiveness of the bank's internal control system, identifying weaknesses, and recommending improvements to enhance operational efficiency and compliance. It serves as a key assurance function that ensures all departments adhere to policies, procedures, and regulatory standards. Through regular audits, risk assessments, and reporting mechanisms, the Internal Audit Department helps maintain accountability, transparency, and risk mitigation across all operational areas of the bank. This function directly aligns with the Monitoring Activities component of the COSO Internal Control Framework, which emphasizes ongoing evaluations and timely reporting of deficiencies to support continuous improvement in control systems. Through continuous process improvement and strong internal control practices, MOB aims to enhance service delivery, maintain financial discipline, and ensure long-term operational success.

At Myanmar Oriental Bank (MOB), internal control practices are carried out collaboratively by all operational departments under the guidance of senior management and the Internal Audit Department. Each department has specific responsibilities that contribute to the effectiveness of the internal control system.

The Internal Audit Department independently evaluates internal control systems and reports and addresses weaknesses quickly, supporting the COSO framework's monitoring operations.

The Credit Department handles credit risk by analyzing borrower reliability and following tight approval processes, which coincides with risk assessment and management operations.

Finance Department reconciliation and compliance checks assist control and information and communication by maintaining correct financial records.

The Operations Departments ensures that daily banking transactions follow standardized procedures, contributing to process integrity under the control activities component.

The Human Resources Department enforces segregation of duties, clarifies job responsibilities, and promotes staff compliance with internal control policies, thereby strengthening the control environment.

The Compliance Department ensures that all operations adhere to legal and regulatory requirements, supporting both control activities and monitoring.

The IT Department secures data systems and manages access controls to protect information flow and communication across departments.

MOB's internal control procedures are based on the five integrated COSO framework components - control environment, risk assessment, control activities, information and communication, and monitoring activities. This collaborative and organized strategy helps divisions work together, improving operational consistency, regulatory compliance, and bank performance.

As part of its commitment to regulatory compliance and internal accountability, MOB has established clear governance structures and reporting lines that align with international banking standards.

The Internal Audit Department and Compliance Department of the bank report independently to the Audit and Compliance Committee, ensuring transparent oversight and integrity in internal operations. Meanwhile, the Risk Department reports directly to the Credit and Risk Committee, reinforcing effective risk identification, evaluation, and mitigation across all banking functions. These independent departments support the internal control system of the MOB and contribute significantly to its operational performance.

The Risk Department, Compliance Department, and Credit Department report not only to the Board committees but also directly to the management of Myanmar

Oriental Bank (MOB). This dual reporting structure supports strong corporate governance and enhances operational performance. It enables management to effectively monitor and respond to risks, ensure compliance with regulatory requirements, and maintain credit quality, thereby safeguarding the bank's stability and success.

The Internal Audit Department of Myanmar Oriental Bank (MOB) operates in accordance with a formal Audit Manual that outlines standardized procedures, responsibilities, and audit methodologies. The department prepares a semi-annual audit plan that specifies the scope, frequency, and focus areas of internal audits across both departments and branch offices. As part of its operational framework, the internal audit team conducts branch audits twice a year and departmental audits once a year. These audits are designed to evaluate the effectiveness of internal controls, ensure compliance with internal policies and regulatory standards, and identify areas for improvement in operational processes.

MOB's external audit function reports to shareholders at the AGM and collaborates with the Audit and Compliance Committee. The Audit and Compliance Committee proposes external auditors, approves selection, and examines resignations.

### **3.3 Internal Control Practices in Myanmar Oriental Bank**

Internal control practices are essential mechanisms for promoting accountability, operational efficiency, regulatory compliance, and fraud prevention in any financial institution. Myanmar Oriental Bank (MOB), as a commercial banking institution, recognizes the importance of a robust internal control system in enhancing its operational integrity and achieving strategic goals.

MOB internal control processes follow the COSO framework, which has five interconnected components: Control Environment, Risk Assessment, Control Activities, Communication, and Monitoring.

#### **a) Control Environment**

MOB emphasizes a strong control environment as the foundation of its internal control system. This control environment is supported by a formal internal control policy manual that outlines roles, responsibilities, and ethical standards for employees at all levels. Senior management demonstrates commitment to internal controls through

consistent oversight, strategic guidance, and regular communication that promotes a culture of accountability and ethical behavior. The organizational structure of MOB is clearly defined through job descriptions and authority matrices, which help ensure that duties and responsibilities are well understood across departments. An independent internal audit function plays a key role in strengthening the control environment by conducting regular reviews and reporting directly to senior management and the Board Audit Committee. Additionally, MOB conducts periodic training on ethics, compliance, and internal controls to reinforce employees' understanding and alignment with organizational expectations.

**b) Risk Assessment**

MOB conducts regular risk assessments, actively identifies, analyzes, and mitigates risks that could impact its operations and objectives. The bank conducts quarterly risk identification workshops involving staff from different departments to examine both internal and external threats. These risks are documented in a risk register that includes details on the likelihood and potential impact of each risk, along with appropriate mitigation strategies. The outcomes of these assessments are directly integrated into MOB's strategic and operational planning processes. Furthermore, fraud risk is addressed with fraud detection systems and the implementation of whistleblower policies that encourage staff to report concerns confidentially. Risk management procedures are reviewed regularly to ensure they remain relevant considering changing regulatory environments and emerging financial risks.

**c) Control Activities**

Control activities at MOB are designed to ensure the effectiveness and consistency of operations across the organization. Standard operating procedures (SOPs) guide all daily activities, ensuring that processes are executed in a uniform and compliant manner. These control activities include clear approval hierarchies for authorizing transactions, strict segregation of duties to prevent conflicts of interest or fraud, and built-in system controls such as access restrictions and automated validation checks. The bank uses core banking software to support process automation and exception reporting. In cases where irregularities are detected, timely corrective actions are taken by responsible supervisors, with follow-up reviews to prevent recurrence. These control mechanisms are crucial for maintaining discipline in operations and minimizing operational disruptions.

**d) Information and Communication**

Effective communication and information flow are integral to the internal control system at MOB. The bank ensures that internal control policies, updates, and training materials are communicated to staff through various channels, including the intranet, internal memos, and regular departmental briefings. New employees are oriented towards the internal control policies of the bank during onboarding, while ongoing refresher training is provided to all employees. Communication within the bank is encouraged through feedback mechanisms, including anonymous suggestion boxes and open-door policies that allow employees to raise concerns or report inefficiencies. In terms of technology, MOB leverages its information systems to process data accurately and generate timely reports for management decision-making. The bank also maintains transparent communication with customers regarding policies, procedures, and compliance standards.

**e) Monitoring Activities**

Monitoring activities are regularly carried out to evaluate the effectiveness of the internal control practices. MOB performs both internal and external audits to assess the integrity of operations and compliance with policies. Internal audits follow a risk-based approach, with greater attention paid to higher-risk areas. Audit findings are reviewed by management and the Board Audit Committee, and appropriate actions are taken in response to recommendations. The bank also tracks performance indicators such as the frequency of fraud cases, process errors, compliance issues, and operational delays. Continuous improvement is a key goal of the monitoring process, and lessons learned from audits are used to enhance control procedures, improve staff performance, and strengthen compliance frameworks. The bank also collaborates closely with external auditors and regulatory authorities to ensure full compliance and to incorporate feedback into the enhancement of its internal control systems.

These comprehensive internal control practices have a direct effect on the operational performance of MOB. Fraud and error rates are reduced through proactive risk assessment and effective control activities. Regulatory compliance is enhanced through clear policies, training, and oversight mechanisms. Time and cost efficiencies are achieved through standardized procedures and automation, while communication and feedback loops help streamline work processes. Ultimately, these controls support the achievement of MOB's strategic and operational goals. The structured

questionnaire developed for this study, based on the five COSO components, assesses staff perceptions and experiences of these practices and their influence on key performance indicators. This supports the research objective of identifying internal control practices and analyzing their effect on the bank's operational performance.

## CHAPTER IV

### ANALYSIS ON THE EFFECT OF INTERNAL CONTROL PRACTICES ON OPERATIONAL PERFORMANCES AT MYANMAR ORIENTAL BANK

This chapter analyzes and interprets questionnaire data. It has five main parts. First, it describes the study's research design. Second, it offers respondent demographics. Third, it examines research instrument reliability and validity. Fourth, it summarizes descriptive statistics, including internal control component and operational performance variable mean values. It concludes with multiple linear regression analysis to determine how internal control practices affect operational performance at Myanmar Oriental Bank Limited. This chapter's findings address research questions and test study hypotheses.

#### 4.1 Research Design

This quantitative study examines how internal control practices affect Myanmar Oriental Bank operational performance. Data from primary and secondary sources supported the findings.

A structured Google Forms questionnaire collected primary data. The questionnaire measured internal control (Control Environment, Risk Assessment, Control Activities, Information and Communication, Monitoring Activities) and operational performance using Likert-scale items. The poll targeted MOB workers from Banking Operations, Finance, IT, Credit, HR, Admin, Risk, Compliance, and Internal Audit. The data collection was conducted over a period of one month, from April to May 2025.

The total population of eligible respondents was 230 employees. The required sample size was calculated using Yamane's (1967) formula with a 95% confidence level and a 5% margin of error:

$$n = \frac{N}{(1 + Ne^2)}$$

Where, n = The sample size

N = The population size

e = The acceptable sampling error, which is assumed that 95% confidence level and 5% Substitute number in formula:

Substituting the values, the calculated sample size was 147. To reduce selection bias and ensure representativeness, respondents were selected using a simple random sampling method, applied using Microsoft Excel.

Secondary data was collected from academic sources such as scholarly journals and textbooks, as well as internal sources including MOB's internal control documents, audit reports, and annual reports.

Descriptive statistics summarized the replies, and multiple linear regression analysis examined the link between the five internal control components (independent variables) and operational performance. These statistical methods provided insight into how internal control practices influence performance outcomes within the bank.

#### 4.2 Demographic Characteristics of the Respondents

The initial stage of data analysis involves examining the demographic characteristics of the respondents who participated in the study. Understanding respondents' background information helps provide context for interpreting their views on internal control practices and operational performance at Myanmar Oriental Bank.

A total of 147 respondents completed the questionnaire. Demographic data were collected in terms of gender, marital status, age, education background, role, and income level. Each category is analyzed using frequencies and percentages and summarized in Table 4.1.

**Table (4.1) Demographic Data of Respondents**

No.	Items	Category	Frequency	Percentage (%)
Total			147	100
1	Gender	Male	42	28.6
		Female	105	71.4
2	Marital Status	Single	76	51.7
		Married	71	48.3
3	Age (Years)	25 and below	10	6.8
		26–35	81	55.1
		36–45	36	24.5
		46–55	15	10.2
		55 and above	5	3.4

4	Education	Graduate	85	57.8
		Postgraduate	21	14.3
		Master	24	16.3
		Professional	17	11.6
5	Role	Supervisor	72	49
		Manager	63	42.9
		Head of Department	7	4.8
		Senior Management	5	3.4
6	Income (MMK)	300,000 and below	16	10.9
		300,001–500,000	45	30.6
		500,001–700,000	25	17
		700,001–900,000	17	11.6
		Above 900,000	44	29.9

Source: SPSS Output, 2025

Data from Table, the study involved 147 respondents, with a majority being female (71.4%) and a nearly even split between single and married individuals. Most participants were aged 26–35, indicating a young workforce. In terms of education, the majority held at least a university degree. Nearly half of the respondents were supervisors, followed by managers, with fewer senior roles. Income levels varied, with the largest groups earning either between 300,001–500,000 MMK or above 900,000 MMK, showing diverse financial backgrounds among the participants.

### 4.3 Reliability and Validity Test for Variables

Reliability is the extent to which a measurement instrument consistently produces stable and dependable results. One of the most used statistical indicators is Cronbach's Alpha, which measures internal consistency. Higher Cronbach's Alpha values indicate more internal consistency among items measuring the same concept. Values over 0.70 are good and above 0.90 are outstanding (Sekaran & Bougie, 2009; George & Mallery, 2003). As presented in Table 4.2, Cronbach's Alpha coefficients can be interpreted using the following standard reliability thresholds:

**Table (4.2) Cronbach's Coefficient Alpha**

No.	Coefficient of Cronbach's Alpha	Reliability Level
1	More than 0.9	Excellent
2	0.80 – 0.89	Good
3	0.70 – 0.79	Acceptable
4	0.60 – 0.69	Questionable
5	0.50 – 0.59	Poor
6	Less than 0.59	Unacceptable

Source: George & Mallery, 2003

In Table 4.3, Cronbach's Alpha coefficients and KMO values for each construct in this study are shown. All constructs have Cronbach's Alpha values over 0.90, suggesting great internal consistency and high measuring instrument reliability.

Validity is how well an instrument measures the notion it's supposed to. Construct validity assesses whether the scale measures the theoretical construct. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity can measure construct validity, according to Hair et al. (2010). KMO represents the fraction of variation among variables that may constitute common variance for component analysis.

All KMO values in this study are above 0.70, showing that the sample size is sufficient for factor analysis and that the data are legitimate for construct identification.

**Table 4.3 Cronbach's Alpha and KMO Test**

No.	Factors	No. of Items	Cronbach's Alpha	KMO
1	Control Environment	7	0.94	0.75
2	Risk Assessment	7	0.95	0.71
3	Control Activities	7	0.93	0.74
4	Information & Communication	7	0.92	0.70
5	Monitoring Activities	7	0.90	0.76
6	Operational Performance	15	0.97	0.79

Source: SPSS Output, 2025

Based on these results, it can be concluded that both the reliability and validity of the measurement instrument are satisfactory and meet the required standards for quantitative analysis. Therefore, the questionnaire is deemed acceptable for further analysis in this research.

#### 4.4 Descriptive Analysis on Internal Control Practices and Operational Performance

The five internal control system components—Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring—and Operational Performance are described in this section. The analysis is based on structured questionnaire responses on a five-point Likert scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree.

Each item shows how much respondents agreed or disagreed with factor statements. To assess response centrality and variability, each factor's mean and SD were calculated.

The Best (1977) scale, which classifies responses into agreement levels in Table 4.4, is used to interpret mean scores.

**Table (4.4) Mean Score Interpretation**

<b>Mean Score Range</b>	<b>Interpretation</b>
1.00 – 1.80	Very Low
1.81 – 2.60	Low
2.61 – 3.40	Medium
3.41 – 4.20	High
4.21 – 5.00	Very High

Source: Best (1977)

##### 4.4.1 Control Environment

The control environment was assessed using seven indicators, resulting in an overall mean score of 4.54, indicating a very high level of agreement among respondents. This reflects that employees at Myanmar Oriental Bank (MOB) generally perceive the bank's internal control foundation as robust and well-functioning.

Among the control environment items, the statement related to the enforcement of employee accountability received the highest mean score, indicating a very high level of agreement among respondents. As per mean score, MOB has successfully established a culture of personal responsibility, where staff members are consistently held accountable for adhering to internal control procedures. Such a high level of

accountability positively reinforces the integrity and reliability of the bank’s internal operations.

On the other hand, the lowest mean score was linked to the effectiveness of internal communication regarding control policies. While the rating remains high, it reveals a relative weakness in how consistently and clearly the bank disseminates internal control information to staff. This indicates that improving communication strategies could further enhance employees’ understanding and alignment with control protocols.

**Table (4.5) Control Environment**

<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	MOB has a formal internal control policy in place.	4.50	0.53
2	Senior management demonstrates a strong commitment to internal control.	4.43	0.56
3	Ethical standards are determined in the organization.	4.42	0.57
4	Roles and responsibilities related to internal control are clearly defined.	4.42	0.56
5	Employees are held accountable for adhering to internal control practices.	4.62	0.51
6	All employees are aware of and understand the bank’s internal control practices.	4.39	0.58
7	The bank effectively communicates internal control practices to all employees.	4.37	0.56
<b>Overall mean</b>		<b>4.54</b>	

Source: SPSS Outputs, 2025

As per the result table, MOB has a strong control environment, supported by structured policies, ethical standard, and a clear emphasis on employee accountability. However, some enhancement in internal communication may further strengthen this component.

#### **4.4.2 Risk Assessment**

Risk assessment was evaluated using seven indicators, resulting in an overall mean score of 4.17, indicating a strong consensus among respondents that MOB Bank maintains effective risk management practices across its operations.

The highest means relating to the bank’s ability to take timely and appropriate actions following risk evaluations, highlighting a proactive approach to managing identified threats. Additionally, strong scores were noted for the bank’s systematic process of regularly identifying and evaluating potential risks, as well as the existence of formalized procedures guiding risk assessment activities. These reflect a well-established structural foundation for ongoing risk management within the bank.

Conversely, the relatively lower mean score concerns the frequency and thoroughness with which risk assessment procedures are updated to respond to changes in both internal and external environments. While still rated high, the item reflects the current state of adaptability and regular updating of risk frameworks within the bank. Staff training on recognizing and reporting risks is rated well but could also benefit from continuous reinforcement. The mean values for each item are presented in table 4.6 below.

**Table (4.6) Risk Assessment**

<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	MOB regularly identifies and evaluates potential risks that may affect operations.	4.37	0.56
2	A formal risk assessment procedure exists in the bank.	4.36	0.56
3	Risk assessments are integrated into the bank’s strategic and operational planning.	4.35	0.57
4	The bank takes appropriate actions based on risk assessment results.	4.39	0.53
5	Procedures are in place to detect and assess risks related to fraud and errors.	4.37	0.55
6	The bank regularly updates its risk assessment procedures to reflect changes in the internal and external environment.	4.31	0.54
7	Employees are trained to identify and report potential risks in their respective areas of responsibility.	4.36	0.57
<b>Overall mean</b>		<b>4.17</b>	

Source: SPSS Outputs, 2025

MOB demonstrates a robust framework for risk identification and management supported by formal procedures and strategic integration. However, initiatives to strengthen employee risk awareness training and update risk assessment procedures on a regular basis could improve the bank's operational stability and resilience even more.

### 4.4.3 Control Activities

Control activities were assessed through seven indicators, producing an overall mean score of 4.33, which reflects a very strong level of agreement among respondents regarding the effectiveness of control processes at MOB Bank.

The aspect that received the highest rating of mean value relates to the existence of robust authorization and approval mechanisms governing transactions, underscoring the bank's focus on ensuring that all financial activities are properly sanctioned to mitigate potential risks. This reflects a well-controlled environment where transaction integrity is prioritized.

On the other hand, the lowest mean score points to a slightly uneven application of internal controls across different departments. Although the score remains high, this suggests some variability in how control procedures are enforced, indicating a possible opportunity to harmonize practices and strengthen consistency bank-wide. The mean values for each item are presented in table 4.7 below.

**Table (4.7) Control Activities**

No.	Items	Mean	Std. Deviation
1	MOB regularly implements effective internal control practices.	4.38	0.54
2	There are written policies and procedures guiding daily operations.	4.37	0.51
3	Authorization and approval processes are in place for transactions.	4.43	0.54
4	Duties are properly segregated to reduce the risk of errors or fraud.	4.37	0.56
5	Internal controls are applied consistently across departments.	4.33	0.59
6	Corrective actions are taken when fraud or errors are identified.	4.37	0.55
7	The bank regularly monitors and reviews the effectiveness of its internal control system.	4.36	0.52
<b>Overall mean</b>		<b>4.33</b>	

Source: SPSS Outputs, 2025

The results of MOB have implemented strong control activities, particularly in transaction authorization, segregation of duties, and corrective measures. Nevertheless, addressing the minor inconsistencies in control application across departments could enhance the overall effectiveness and uniformity of the bank’s internal control framework.

#### 4.4.4 Information and Communication

The Information and Communication component was evaluated using seven indicators, resulting in an overall mean score of 4.19, indicating a strong consensus among respondents about the effectiveness of communication practices supporting the internal control system at MOB Bank.

The most highly rated aspect pertains to the bank’s formal communication with regulatory authorities, with particular emphasis on reporting internal control compliance and audit findings to the Central Bank of Myanmar, as reflected in the mean scores. This demonstrates a well-established protocol for external regulatory communication. Internally, the clear and timely dissemination of relevant control information also received favorable ratings, suggesting that important messages are effectively communicated across the organization.

Conversely, slightly lower scores were noted in areas concerning the adequacy of employee training on internal control procedures and the efficiency of systems used to collect and share information for decision-making. These indicate opportunities for the bank to enhance its training programs and upgrade information management systems to support better operational decisions. The detailed item scores are provided in Table 4.8 below.

**Table (4.8) Information & Communication**

No.	Items	Mean	Std. Deviation
1	Relevant internal control information is communicated clearly and in a timely manner.	4.37	0.54
2	Employees receive sufficient training in internal control procedures.	4.30	0.58
3	The bank uses appropriate systems to collect and share information for decision-making.	4.30	0.54

4	All employees can report control issues without fear of retaliation.	4.35	0.57
5	Reporting mechanisms exist for escalating fraud and control breaches.	4.31	0.59
6	MOB reports internal control compliance and audit findings to the Central Bank of Myanmar (CBM).	4.60	0.52
7	Feedback from employees and stakeholders is encouraged and used to improve internal control and communication processes.	4.31	0.59
<b>Overall mean</b>		<b>4.19</b>	

Source: SPSS Outputs, 2025

MOB Bank demonstrates strong internal communication practices, especially in regulatory reporting and timely internal messaging. Nonetheless, improvements in training initiatives and the enhancement of information systems could further strengthen the bank’s internal control framework and overall operational effectiveness.

#### **4.4.5 Monitoring**

Monitoring was evaluated using seven items, producing an overall mean score of 4.25, which reflects a very high level of agreement among respondents regarding the effectiveness of monitoring practices at MOB Bank.

The highest aspect of monitoring appears to be the regularity and robustness of both internal and external audit activities. Internal audits are widely perceived as being conducted consistently, while external audits are also regarded as timely and thorough, demonstrating the bank’s commitment to ongoing oversight.

On the other hand, slightly lower scores were observed concerning management’s responsiveness to internal audit findings. Although management generally reviews and considers audit reports, there is some indication that follow-up actions based on these findings could be more proactive to enhance the overall effectiveness of the internal control system. Detailed item scores are presented in Table 4.9 below.

**Table (4.9) Monitoring**

No.	Items	Mean	Std. Deviation
1	Internal audits are conducted on a regular basis.	4.60	0.54
2	Audit reports are thoroughly reviewed by management.	4.44	0.55
3	External audits are conducted on a regular and timely basis at MOB Bank.	4.58	0.52
4	Recommendations from external audits are regularly considered and implemented by the management.	4.37	0.53
5	Internal control practices are regularly reviewed and evaluated.	4.35	0.53
6	MOB uses monitoring results to improve its internal control practices.	4.37	0.54
7	Management takes appropriate action based on internal audit report findings.	4.33	0.56
<b>Overall mean</b>		<b>4.25</b>	

Source: SPSS Outputs, 2025

MOB Bank demonstrates a strong monitoring framework, particularly through effective audit mechanisms. However, enhancing management's timely and decisive actions in response to audit findings could further strengthen the bank's internal control effectiveness.

#### **4.4.5 Overall Mean Value of 5 Internal Control Components**

Table (4.10) presents the overall mean values of the five internal control components measured in this study. Among them, Control Environment received the highest mean score of 4.54, interpreted as Very High, indicating strong agreement among respondents regarding the bank's ethical foundation, leadership commitment, and clearly defined roles and responsibilities. This reflects a well-established internal culture supporting effective internal controls.

The remaining four components were all rated as High, with mean scores ranging from 4.17 to 4.33. Monitoring achieved a mean score of 4.25, indicating that

internal control performance is consistently reviewed through audits and feedback mechanisms. Risk Assessment followed closely with a mean of 4.17, reflecting MOB’s systematic approach to identifying and evaluating potential risks. Information and Communication obtained a mean score of 4.19, showing that employees generally receive timely and relevant information for control-related responsibilities. Control Activities recorded the highest mean among the four at 4.33, indicating that policies and procedures are actively implemented across the bank and contribute to maintaining operational discipline.

As per overall results of internal control practices at MOB are well established, with strength in the control environment and consistent performance across all other components.

**Table (4.10) Overall Mean Value of Internal Control Practices**

No.	Variables	No. of Items	Mean	Interpretation
1	Control Environment	7	4.54	Very High
2	Risk Assessment	7	4.17	High
3	Control Activities	7	4.33	High
4	Information & Communication	7	4.19	High
5	Monitoring	7	4.25	High

#### 4.4.6 Operational Performance

Operational performance was examined using fifteen questions organized into five subcategories, with a mean score of 4.52, showing substantial agreement among respondents that internal control measures improve operational efficiency. Table 4.11 shows item mean scores.

**Table (4.11) Operational Performance**

No	Items	Mean	Std. Deviation
<b>I. Mitigation of Fraud and Errors</b>			
1	The internal audit function plays a key role in reducing fraud.	4.43	0.54

2	The internal audit function plays a key role in reducing error.	4.42	0.52
3	The bank's internal control system has effectively reduced the occurrence of fraud and errors.	4.38	0.51
<b>II. Ensuring Compliance</b>			
4	The bank complies with regulations issued by the Central Bank of Myanmar.	4.59	0.51
5	Employees understand the importance of regulatory compliance.	4.38	0.55
6	Employees follow the rules and regulations.	4.32	0.51
<b>III. Improved Operations (Time &amp; Cost Saving)</b>			
7	The bank uses resources efficiently to reduce unnecessary costs.	4.32	0.52
8	Time-saving procedures have been adopted due to the good internal control practices.	4.35	0.56
9	Internal control practices help minimize operational waste.	4.36	0.56
<b>IV. Improved Process Flow</b>			
10	Internal control practices streamline daily banking operations.	4.35	0.57
11	Workflow processes are clearly defined and followed.	4.35	0.54
12	Communication between departments is effective and timely.	4.35	0.54
<b>V. Achievement of Organizational Goals</b>			
13	Internal controls support the achievement of strategic goals.	4.36	0.57
14	The bank regularly meets its performance targets.	4.30	0.54

15	Operational outcomes are aligned with the bank's mission and objectives.	4.43	0.55
<b>Overall mean</b>		<b>4.52</b>	

Source: SPSS Outputs, 2025

In the Mitigation of Fraud and Errors category, responses reflect strong confidence in the role of internal audit function in reducing fraud, although there remains some perception that the overall control system could further reduce fraud and errors.

For Ensuring Compliance, the bank is perceived to adhere well to regulations set by the Central Bank of Myanmar, demonstrating solid regulatory compliance. Nonetheless, there is a slightly lower perception of consistent employee adherence to these regulations, which may suggest opportunities to reinforce internal compliance culture.

Within the Improved Operations (Time & Cost Saving) dimension, the practices aimed at minimizing operational waste received positive recognition, indicating effective cost-saving measures. Meanwhile, the efficient use of resources showed room for improvement, suggesting the bank could further optimize resource allocation.

Regarding Improved Process Flow, respondents consistently agree that internal controls contribute to streamlined operations and well-defined workflows. However, communication between departments is identified as an area that could be enhanced to improve coordination and operational efficiency.

Finally, in Achievement of Organizational Goals, operational performance are largely seen as aligned with the bank's mission and strategic objectives, though meeting performance targets regularly appears to be a slightly weaker area, indicating a potential gap between strategic plans and execution.

These findings highlight a strong positive effect of internal control practices on operational performance at MOB Bank. Continued focus on improving staff compliance, inter-departmental communication, and performance tracking can further elevate operational outcomes.

The descriptive analysis of internal control components at Myanmar Oriental Bank (MOB) reveals a generally strong implementation of internal control practices across all five COSO elements - Control Environment, Risk Assessment, Control

Activities, Information and Communication, and Monitoring. Respondents consistently reported high levels of agreement regarding the effectiveness of these controls, with overall mean scores ranging from 4.17 to 4.33, MOB has established robust systems to manage risks and promote operational efficiency.

Among these components, Control Activities and Monitoring received particularly high evaluations, reflecting the bank's emphasis on authorization procedures, audit processes, and continuous oversight. While the Information and Communication component showed strong formal communication, some opportunities remain to enhance employee training and improve information-sharing systems. Similarly, Risk Assessment practices are well-developed, though periodic updates to procedures and further staff training could strengthen responsiveness to evolving risks.

Operational performance was rated very highly, with an overall mean score of 4.52. The findings indicate that effective internal control systems contribute positively to mitigating fraud and errors, ensuring compliance, improving operational efficiency, streamlining processes, and supporting organizational goals. Nevertheless, minor gaps were identified in areas such as employee compliance with rules, cross-department communication, and consistently meeting performance targets, suggesting focal points for future improvements.

The internal control framework of the MOB is largely effective and supports strong operational performance. Continued enhancement of staff engagement, communication, and adaptive risk management will further strengthen the bank's ability to achieve its strategic objectives and maintain sustainable performance.

#### **4.5 Analysis on The Effect of Internal Control Practices on Operational Performance**

Multiple linear regression analysis was used to determine how internal control components—Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring—impact Myanmar Oriental Bank (MOB) operational performance. The investigation seeks to determine which internal control system components substantially impact operational outcomes.

Table (4.12) displays the correlation coefficients between each internal control component and operational performance. All five components showed statistically

significant positive relationships with the dependent variable, with Monitoring and Control Activities demonstrating the strongest correlations.

**Table (4.12): Correlation between Internal Control Components and Operational Performance**

No.	Particular	Correlation Coefficient	P-Value
1	Control Environment	.724**	0.000
2	Risk Assessment	.806**	0.000
3	Control Activities	.842**	0.000
4	Information & Communication	.839**	0.000
5	Monitoring	.882**	0.000

**Note:**  
Correlation is significant at the 0.01 level (2-tailed)  
Dependent Variable: Operational Performance

Source: SPSS Output, 2025

The correlation results indicate that Monitoring ( $r = 0.882$ ) and Control Activities ( $r = 0.842$ ) are the most strongly associated with improved operational performance, followed by Information & Communication ( $r = 0.839$ ), Risk Assessment ( $r = 0.806$ ), and Control Environment ( $r = 0.724$ ).

Multiple regression analysis was used to assess how internal control practices affect operational performance at Myanmar Oriental Bank (MOB). Operating performance was the dependent variable, and the five COSO internal control components were independent. The results are in Table 4.13.

**Table (4.13) Effect of Internal Control Practices on Operational Performance**

No.	Variables	Unstandardized Coefficients (B)	Std. Error (SE)	Standardized Coefficients (Beta)	t	Sig.	VIF
1	(Constant)	0.189	0.171	–	1.109	0.269	–
2	Control Environment	0.022	0.067	0.024	0.336	0.737	2.421
3	Risk Assessment	0.076	0.090	0.085	0.848	0.398	2.683

4	Control Activities	0.222**	0.090	0.232	2.453	0.015	2.525
5	Information & Communication	0.140*	0.083	0.145	1.698	0.092	2.093
6	Monitoring Activities	0.535***	0.075	0.517	7.124	0.000	2.408
R <sup>2</sup>		0.823					
Adjusted R <sup>2</sup>		0.817					
F-statistics = 131.30 (p < 0.01)							
Statistically significant at ***1%, **5%, *10% level.							

Source: SPSS Output, 2025

Table (4.13) shows that all internal control components have Variance Inflation Factor (VIF) values below 10, suggesting no multicollinearity. This implies that the independent variables are not highly linked and that the regression model is multicollinear. The corrected R<sup>2</sup> value of 0.817 indicates that the five internal control components explain 81.7% of operational performance variance, indicating excellent explanatory power. Moreover, the regression model's strong F-statistics and p-value (p < 0.01) indicate its statistical significance and data fit.

Among the predictors, Monitoring Activities has the highest standardized beta coefficient ( $\beta = 0.517$ , p < 0.01), making it the most effect factor on operational performance. This is followed by Control Activities ( $\beta = 0.232$ , p < 0.05), which is also statistically significant. Information and Communication ( $\beta = 0.15$ , p = 0.092) shows a marginally significant positive influence at the 10% level. Meanwhile, Control Environment shows a small negative, and Risk Assessment has a positive but not significant effect.

In conclusion, Monitoring Activities, Control Activities, and Information and Communication are the three most significant internal control components contributing to enhanced operational performance at Myanmar Oriental Bank (MOB). These findings fulfill the second research objective and indicate that reinforcing these areas can meaningfully support the bank's operational efficiency, accuracy, and overall effectiveness. The remaining components - Control Environment and Risk Assessment - show positive but statistically insignificant effects within the model.

## **CHAPTER V**

### **CONCLUSION**

The study of Myanmar Oriental Bank's internal control systems and operational performance concludes in this chapter. The chapter highlights the important findings, examines their consequences, and offers solutions for enhancing internal control and operational efficiency. The chapter also discusses this research's strengths and weaknesses and suggests further research.

#### **5.1 Findings and Discussions**

This study used the COSO framework—Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities—to examine how internal control practices affect operational performance at Myanmar Oriental Bank (MOB). A 5-point Likert scale questionnaire was used to collect primary data, and 147 valid responses were acquired from internal control and operations professionals using simple random selection. The results from employee feedback reveal that internal control practices are generally well-established and positively perceived throughout the organization. Staff across relevant departments expressed strong agreement with the presence and implementation of various internal control measures.

Monitoring Activities emerged as the most effective internal control practices at MOB. Employees noted that regular audits are conducted, and their results are taken seriously by management. Feedback from internal and external audits is actively used to improve procedures and resolve issues, showing that monitoring is not just routine but is used for continuous improvement. Employees are responsive to audit findings, demonstrating accountability and a commitment to strengthening controls. This proactive monitoring culture contributes significantly to operational performance.

Control Environment was also viewed positively by employees. There is a formal internal control policy in place, senior management shows commitment, ethical standards are clearly established, and roles and responsibilities are well-defined. The strongest agreement among staff was related to employee accountability—staff are held responsible for following internal control procedures. This strong sense of personal responsibility supports overall integrity within operations. However, while these

structures exist, there is room for more consistent understanding and application across all departments, particularly through training and communication.

Control Activities, such as proper authorization, checks and balances, and segregation of duties, are also in place and recognized by staff. These practical measures are important for ensuring consistency, preventing errors, and safeguarding assets. Employees view these procedures as helping improve the bank's daily operational processes.

Information and Communication practices were appreciated for supporting the flow of accurate, timely, and clear information. Internal control policies are communicated well, and employees understand their importance. While generally effective, some staff suggested that improvements in internal communication could further strengthen understanding and coordination, particularly across different teams and branches.

Risk Assessment was recognized as an important part of internal control, with employees confirming that the bank regularly assesses risks and updates its procedures accordingly. While this component supports decision-making and compliance, its direct influence on operational performance was seen as slightly less prominent compared to other components.

The findings of this study show that MOB has developed a strong internal control system. Among the five COSO components, Monitoring Activities, Control Activities, and Information and Communication were found to have the most meaningful effect on improving operational performance. These three areas contribute directly to efficiency, accountability, and transparency in day-to-day banking operations. Internal control practices of the MOB are contributing positively to its operational performance. Strengthening staff engagement, continuing internal training, and ensuring consistent application of controls across all departments will further enhance the bank's performance and governance culture.

## **5.2 Suggestion and Recommendations**

Based on the findings of this study on internal control practices at Myanmar Oriental Bank (MOB), several practical suggestions are provided to enhance operational performance through improvements in key control components. These

recommendations are informed by employee feedback collected through a structured questionnaire developed under the COSO framework, as explained in Chapter 3. The responses reflect how internal control practices are perceived and implemented throughout the bank's operational environment.

As per findings, Monitoring Activities are well embedded at MOB and play a key role in ensuring that internal control processes are functioning effectively. Employees expressed strong agreement that regular internal audits are conducted, and management actively considers and implements audit recommendations. To maintain and strengthen this area, it is recommended that the bank continue to ensure consistent monitoring across departments and enhance follow-up on audit results. Encouraging a culture where audit findings are not only addressed but also discussed across relevant departments will contribute to institutional learning and improvement. Furthermore, closer collaboration between audit teams and operational employees can turn monitoring insights into practical enhancements in daily operations.

While the Control Environment at MOB is supported by formal policies, a clearly defined structure, and management commitment, the findings suggest that the level of staff awareness and engagement with these controls varies. The bank is encouraged to reinforce ethical standards and clarify roles and responsibilities related to internal control across all departments for improvement. Organizing regular internal workshops, offering accessible guidelines, and improving communication channels can help ensure that employees not only understand but also embrace internal control practices in their daily work. Strengthening the culture of accountability - through leadership example and consistent reinforcement - will also ensure that these controls are more deeply internalized.

Control Activities, though positively viewed by employees, showed indications that operational procedures may not always be applied consistently. MOB should work towards standardizing procedures, strengthening operational checks, and ensuring compliance across all branches. This can be supported by periodic review of procedures and targeted training programs to reinforce consistent practice.

Information and Communication practices were generally seen as effective, but some employees noted the need for more clarity and accessibility in how control-related information is shared. The bank can enhance this area by issuing simplified guidelines,

using digital platforms for quick updates, and creating opportunities for feedback so that staff can better engage with internal control policies.

MOB should maintain its strengths—particularly in areas where employees reported high engagement, such as individual accountability and responsiveness to audit outcomes to ensure continued success. These aspects reflect a strong control culture that should be nurtured through ongoing recognition, support, and capacity-building efforts.

The internal control practices at MOB are functioning well overall, focused improvements in communication, consistency of implementation, and employee awareness will further strengthen operational performance. By addressing these areas and reinforcing what already works well, the bank can ensure its internal control system remains a strong foundation for sustainable growth and operational efficiency.

### **5.3 Needs for further Studies**

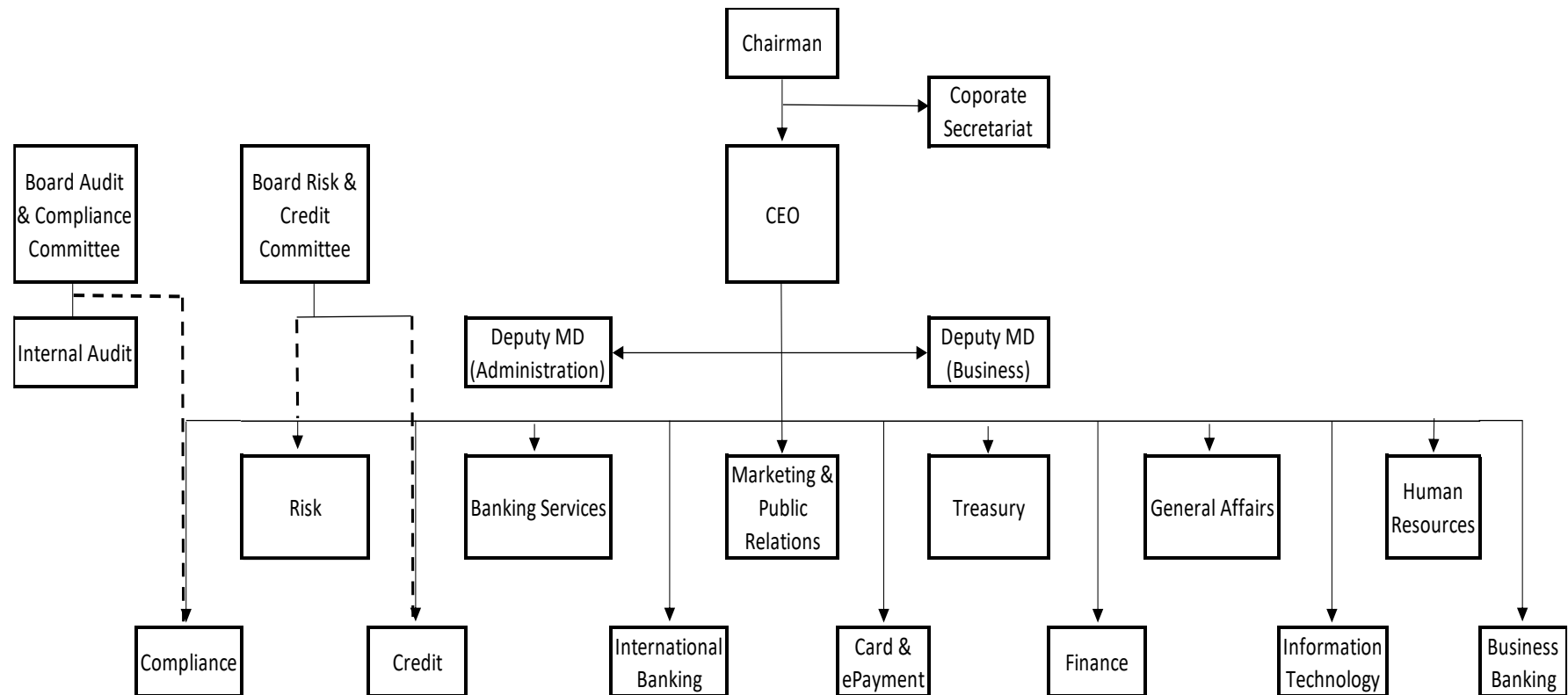
This study focused on how internal control components, especially Monitoring Activities and Control Environment, affect the operational performance of Myanmar Oriental Bank (MOB). However, there are some limitations that future research can address. Data was only collected from selected departments and not from all MOB branches. Future studies should include all branches to get a complete picture of the bank's internal control and performance. Most participants were from middle management, so future research should involve more employees from different levels, including top management, to get more varied views. Also, this study looked only at the five COSO internal control components. While COSO is widely used, future research could consider applying or comparing other frameworks such as the CoCo (Criteria of Control) model developed by the Canadian Institute of Chartered Accountants, or the CobiT (Control Objectives for Information and Related Technologies) framework, which focuses more on IT governance and controls. These models might offer different insights into internal control effectiveness, especially in areas such as ethical culture, accountability, and IT-related controls. A comparative study between COSO and alternative frameworks could lead to more comprehensive internal control recommendations.

## REFERENCES

- Al-Tamimi, H. A. H. (2010). Factors influencing performance of the UAE Islamic and conventional national banks. *Global Journal of Business Research*, 4(2), 1–9.
- American Institute of Certified Public Accountants. (1949). Internal control: Elements of a coordinated system and its importance to management and the independent public accountant. AICPA.
- Arhin, A. (2015). The effect of internal control systems on the performance of private organizations: A case study of Vodafone Ghana Limited [*Master's thesis, University of Ghana*].
- Arhin, E. (2015). Effectiveness of internal control systems of banks: The case of Ghana Commercial Bank. *Journal of Accounting and Finance*, 15(6), 110–123.
- Arhin, E. (2015). Effect of internal controls on the performance of banks in Ghana: A case of GCB Bank Limited (*Unpublished master's thesis*). *University of Ghana*.
- Asian Development Bank (ADB). (2019). Myanmar: Financial sector development strategy.
- Basel Committee on Banking Supervision. (2012). Core principles for effective banking supervision. Bank for International Settlements.
- Basel Committee on Banking Supervision. (2012). Internal audit function in banks: Principles and approaches. Bank for International Settlements.
- Basel Committee on Banking Supervision. (2012). The internal audit function in banks. Bank for International Settlements.
- Cheng, Q., Goh, B. W., & Kim, J. B. (2018). Internal control and operational efficiency. *Contemporary Accounting Research*, 35(2), 1102–1139.
- Committee of Sponsoring Organizations of the Treadway Commission (COSO). (2013). Internal Control—Integrated Framework: Executive Summary. COSO.
- Drucker, P. F. (1999). Management challenges for the 21st century. HarperBusiness.
- George, D., & Mallery, P. (2003). SPSS for Windows step by step: A simple guide and reference (4th ed.). Allyn & Bacon.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). Multivariate data analysis (7th ed.). Pearson Education.
- International Finance Corporation. (2010). Corporate governance methodology. World Bank Group.

- Kaiser, H. F. (1974). An index of factorial simplicity. *Psychometrika*, 39(1), 31–36.
- Korir, K. K. (2022). Effect of internal control systems on financial performance of commercial bank branches in Bomet and Kericho counties, Kenya (*Master's thesis, University of Kabianga*).
- Kumuthinidevi, S. (2016). A study on effectiveness of the internal control system in the private banks of Trincomalee. *International Journal of Scientific and Research Publications*, 6(6), 600–612.
- Markgraf, B. (2018). Limitations of internal control. Chron.
- Office of the Auditor General of Canada (OAG). (2011). Internal control: A guide for managers. Government of Canada.
- Otoo, F. N. K., Kaur, M., & Rather, N. A. (2020). Evaluating the impact of internal control systems on organizational effectiveness. *Journal of Accounting and Organizational Change*, 16(2), 255–272.
- Palmer, R. (1993). Performance measurement for the public sector. Routledge.
- PWC. (2014). Being better informed: Financial services risk and regulation. PricewaterhouseCoopers.
- Said, R. M., & Tumin, M. H. (2011). Performance and financial ratios of commercial banks in Malaysia and China. *International Review of Business Research Papers*, 7(2), 157–169.
- Sekaran, U., & Bougie, R. (2009). Research methods for business: A skill-building approach (5th ed.). Wiley.
- Spencer Pickett, K. H. (2010). The internal auditing handbook (3rd ed.). Wiley.
- Study.com. (2017). CoCo internal control framework: Definition & key concepts.
- Venkatraman, N., & Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of approaches. *Academy of Management Review*, 11(4), 801–814.
- World Bank. (2020). Myanmar Economic Monitor: Financial sector under reform.
- Yamane, T. (1967). Statistics: An introductory analysis (2nd ed.). Harper & Row.
- Website:  
<https://www.MOB Limitedmyanmar.com/>  
<https://www.cbm.gov.mm/>

Figure (3.1) Organizational Structure of Myanmar Oriental Bank



Source: Myanmar Oriental Bank, (2025)

## Questionnaires

Dear

Participants,

I'm a student from MBF program at Yangon University of Economics, Department of Commerce. This research will emphasize the effect of internal control practices on operational performance at Myanmar Oriental Bank (MOB). I would like to request you to choose your help with this questionnaire at your surplus time.

Thanks a million for your participation.

### Section A (Profile of Respondents)

#### 1. Gender

- Male
- Female
- Prefer not to say

#### 2. Marital Status

- Single
- Marriage

#### 3. Age (Years)

- 25 and below
- 26 - 35
- 36-45
- 46-55
- Above 55

#### 4. Education Background

- Graduate
- Postgraduate
- Master
- Phd
- Professional

## 5. What is your role?

- Supervisor
- Manager
- Head of Department
- Senior Management

## 6. Monthly Income

- 300,000 MMK and below
- 300,001 to 500,000 MMK
- 500,001 to 700,000 MMK
- 700,001 to 900,000 MMK
- Above 900,000 MMK

## Section B (The Effect of Internal Control Practices on Operational Performance at Myanmar Oriental Bank)

Please indicate your level of agreement with each statement using the following scale: (1-Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 - Strongly Agree).

### 1. Control Environment

No.	Items	1	2	3	4	5
1	MOB has a formal internal control policy in place.					
2	Senior management demonstrates a strong commitment to internal control.					
3	Ethical standards are determined in the organization.					
4	Roles and responsibilities related to internal control are clearly defined.					
5	Employees are held accountable for adhering to internal control practices.					
6	All employees are aware of and understand the bank's internal control practices.					
7	The bank effectively communicates internal control practices to all employees.					

## 2. Risk Assessment

No.	Items	1	2	3	4	5
1	MOB regularly identifies and evaluates potential risks that may affect operations.					
2	A formal risk assessment procedure exists in the bank.					
3	Risk assessments are integrated into the bank's strategic and operational planning.					
4	The bank takes appropriate actions based on risk assessment results.					
5	Procedures are in place to detect and assess risks related to fraud and errors.					
6	The bank regularly updates its risk assessment procedures to reflect changes in the internal and external environment.					
7	Employees are trained to identify and report potential risks in their respective areas of responsibility.					

## 3. Control Activities

No.	Items	1	2	3	4	5
1	MOB regularly implements effective internal control practices.					
2	There are written policies and procedures guiding daily operations.					
3	Authorization and approval processes are in place for transactions.					
4	Duties are properly segregated to reduce the risk of errors or fraud.					
5	Internal controls are applied consistently across departments.					

6	Corrective actions are taken when fraud or errors are identified.					
7	The bank regularly monitors and reviews the effectiveness of its internal control system.					

#### 4. Information & Communication

No.	Items	1	2	3	4	5
1	Relevant internal control information is communicated clearly and in a timely manner.					
2	Employees receive sufficient training in internal control procedures.					
3	The bank uses appropriate systems to collect and share information for decision-making.					
4	All employees can report control issues without fear of retaliation.					
5	Reporting mechanisms exist for escalating fraud and control breaches.					
6	MOB reports internal control compliance and audit findings to the Central Bank of Myanmar (CBM).					
7	Feedback from employees and stakeholders is encouraged and used to improve internal control and communication processes.					

#### 5. Monitoring

No.	Items	1	2	3	4	5
1	Internal audits are conducted on a regular basis.					
2	Audit reports are thoroughly reviewed by management.					
3	External audits are conducted on a regular and timely basis at MOB Bank.					

4	Recommendations from external audits are regularly considered and implemented by the management.					
5	Internal control practices are regularly reviewed and evaluated.					
6	MOB uses monitoring results to improve its internal control practices.					
7	Management takes appropriate action based on internal audit report findings.					

## 6. Operational Performance

No.	Items	1	2	3	4	5
<b>I. Mitigation of Fraud and Errors</b>						
1	The internal audit function plays a key role in reducing fraud.					
2	The internal audit function plays a key role in reducing error.					
3	The bank's internal control system has effectively reduced the occurrence of fraud and errors.					
<b>II. Ensuring Compliance</b>						
4	The bank complies with regulations issued by the Central Bank of Myanmar.					
5	Employees understand the importance of regulatory compliance.					
6	Employees follow the rules and regulations.					
<b>III. Improved Operations (Time &amp; Cost Saving)</b>						
7	The bank uses resources efficiently to reduce unnecessary costs.					
8	Time-saving procedures have been adopted due to the good internal control practices.					

9	Internal control practices help minimize operational waste.					
<b>IV. Improved Process Flow</b>						
10	Internal control practices streamline daily banking operations.					
11	Workflow processes are clearly defined and followed.					
12	Communication between departments is effective and timely.					
<b>V. Achievement of Organizational Goals</b>						
13	Internal controls support the achievement of strategic goals.					
14	The bank regularly meets its performance targets.					
15	Operational outcomes are aligned with the bank's mission and objectives.					

## Statistical Output

## Demographic Characteristics of Respondents

## Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Control Environment 1	147	3.00	5.00	4.5034	.52830
Control Environment 2	147	3.00	5.00	4.4286	.56131
Control Environment 3	147	3.00	5.00	4.4150	.57151
Control Environment 4	147	3.00	5.00	4.4150	.55940
Control Environment 5	147	3.00	5.00	4.6190	.51463
Control Environment 6	147	3.00	5.00	4.3878	.57872
Control Environment 7	147	3.00	5.00	4.3741	.56388
Valid N (listwise)	147				

## Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Risk Assement 1	147	3.00	5.00	4.3673	.56230
Risk Assement 2	147	3.00	5.00	4.3605	.56065
Risk Assement 3	147	2.00	5.00	4.3469	.56922
Risk Assement 4	147	3.00	5.00	4.3946	.53067
Risk Assement 5	147	3.00	5.00	4.3741	.55160
Risk Assement 6	147	3.00	5.00	4.3061	.54411
Risk Assement 7	147	3.00	5.00	4.3605	.57273
Valid N (listwise)	147				

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Control Activities 1	147	3.00	5.00	4.3810	.54059
Control Activities 2	147	3.00	5.00	4.3741	.51299
Control Activities 3	147	3.00	5.00	4.4286	.53635
Control Activities 4	147	3.00	5.00	4.3673	.56230
Control Activities 5	147	2.00	5.00	4.3333	.58909
Control Activities 6	147	3.00	5.00	4.3741	.55160
Control Activities 7	147	3.00	5.00	4.3605	.52271
Valid N (listwise)	147				

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Information & Communication 1	147	3.00	5.00	4.3741	.53904
Information & Communication 2	147	2.00	5.00	4.2993	.57832
Information & Communication 3	147	3.00	5.00	4.2993	.54162
Information & Communication 4	147	3.00	5.00	4.3469	.56922
Information & Communication 5	147	2.00	5.00	4.3061	.59233
Information & Communication 6	147	3.00	5.00	4.5986	.51895
Information & Communication 7	147	2.00	5.00	4.3129	.59453
Valid N (listwise)	147				

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Monitoring Activities 1	147	3.00	5.00	4.5986	.54471
Monitoring Activities 2	147	3.00	5.00	4.4354	.54982
Monitoring Activities 3	147	3.00	5.00	4.5782	.52244

Monitoring Activities 4	147	3.00	5.00	4.3741	.52618
Monitoring Activities 5	147	3.00	5.00	4.3537	.53382
Monitoring Activities 6	147	3.00	5.00	4.3673	.53739
Monitoring Activities 7	147	3.00	5.00	4.3265	.56330
Valid N (listwise)	147				

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Operational Performance 1	147	3.00	5.00	4.4286	.53635
Operational Performance 2	147	3.00	5.00	4.4150	.52137
Operational Performance 3	147	3.00	5.00	4.3810	.51463
Operational Performance 4	147	3.00	5.00	4.5850	.50807
Operational Performance 5	147	3.00	5.00	4.3810	.55311
Operational Performance 6	147	3.00	5.00	4.3197	.50999
Operational Performance 7	147	3.00	5.00	4.3197	.52325
Operational Performance 8	147	3.00	5.00	4.3537	.55890
Operational Performance 9	147	3.00	5.00	4.3605	.56065
Operational Performance 10	147	3.00	5.00	4.3537	.57102
Operational Performance 11	147	3.00	5.00	4.3469	.54463
Operational Performance 12	147	3.00	5.00	4.3469	.54463
Operational Performance 13	147	3.00	5.00	4.3605	.57273
Operational Performance 14	147	3.00	5.00	4.2993	.54162

Operational Performance 15	147	3.00	5.00	4.4286	.54897
Valid N (listwise)	147				

**Reliability Test**

Control Environment

**Reliability Statistics**

Cronbach's Alpha	N of Items
.936	7

Risk Assessment

**Reliability Statistics**

Cronbach's Alpha	N of Items
.953	7

Control Activities

**Reliability Statistics**

Cronbach's Alpha	N of Items
.934	7

Information and Communication

**Reliability Statistics**

Cronbach's Alpha	N of Items
.916	7

Monitoring Activities

**Reliability Statistics**

Cronbach's Alpha	N of Items
.900	7

Operational Performance

**Reliability Statistics**

Cronbach's Alpha	N of Items
.965	15

**Correlations**

		AvgCE	AvgRA	AvgCA	AvgInfn Com	AvgM A	AvgOP
AvgCE	Pearson Correlation	1	.858**	.824**	.758**	.726**	.724**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	147	147	147	147	147	147
AvgRA	Pearson Correlation	.858**	1	.901**	.865**	.790**	.806**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	147	147	147	147	147	147
AvgCA	Pearson Correlation	.824**	.901**	1	.862**	.830**	.842**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	147	147	147	147	147	147
AvgInfnCom	Pearson Correlation	.758**	.865**	.862**	1	.850**	.839**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	147	147	147	147	147	147
AvgMA	Pearson Correlation	.726**	.790**	.830**	.850**	1	.882**

	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	147	147	147	147	147	147
AvgOP	Pearson Correlation	.724**	.806**	.842**	.839**	.882**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	147	147	147	147	147	147

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## Regression

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.189	.171		1.109	.269	-.148	.526
	AvgCE	-.022	.067	-.024	-.336	.737	-.154	.110
	AvgRA	.076	.090	.085	.848	.398	-.101	.254
	AvgCA	.222	.090	.232	2.453	.015	.043	.401
	AvgInfnCom	.140	.083	.145	1.698	.092	-.023	.304
	AvgMA	.535	.075	.517	7.124	.000	.387	.684

a. Dependent Variable: AvgOP

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
					R Square Change	F Change	df1	df2		Sig. F Change
1	.907 <sup>a</sup>	.823	.817	.18942	.823	131.298	5	141	.000	2.001

a. Predictors: (Constant), AvgMA, AvgCE, AvgInfnCom, AvgCA, AvgRA

b. Dependent Variable: AvgOP

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.554	5	4.711	131.298	.000 <sup>b</sup>
	Residual	5.059	141	.036		
	Total	28.613	146			

a. Dependent Variable: AvgOP

b. Predictors: (Constant), AvgMA, AvgCE, AvgInfnCom, AvgCA, AvgRA