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EFFECT OF INTERNAL CONTROL SYSTEM ON
OPERATIONAL PERFORMANCE OF PRO1 GLOBAL CO., LTD

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**EFFECT OF INTERNAL CONTROL SYSTEM ON OPERATIONAL
PERFORMANCE OF PRO1 GLOBAL CO., LTD**

A thesis submitted as a partial fulfillment of the requirements for the
Executive Master Degree of Banking and Finance (EMBF)

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ABSTRACT

The aims of this study are to identify internal control system and to analyze the effect of internal control system on operational performance of PRO1 Global Home Centers in Yangon Region. To achieve these objectives, primary data was collected through 120 employees from top level management and middle level management from PRO1 Global Home Centers in Yangon by using structured Five-point Likert scale questionnaires. The applied research method in this study is quantitative research method and descriptive statistic is used to determine effect of internal control system on operational performance of PRO1 Global Home Centers in Yangon Region. Moreover, control activities and monitoring have positively and significantly correlated to operational performance. Control activities having the highest overall mean score and being the strongest factor affecting operational performance. The results of the multiple regression analysis showed that control activities and monitoring had a significant and positive effect on operational performance. The finding of the suggested that internal control system needs to be robust and embedded into PRO1 Global's corporate culture although internal control systems are already established. Staffs are an important factor to implement strong internal controls and they need more trainings and orientations to create good control environment and corporate culture. These trainings and orientations will help to improve risk awareness and assessment among employees. Moreover, direct communication channels and sharing information internally will help boost morale and dedication among employees, while reducing the risk of financial losses and improving transparency at PRO1 Global.

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LIST OF ABBREVIATION

AAGR	-Annual Average Growth Rate
ADB	-Asian Development Bank
COCO	- Criteria of Control Framework
COSO	- Committee of Sponsoring Organizations of the Tredway Commission
FDI	- Foreign Direct Investment
FRC	- Financial Report Council
ISACA	- Information Systems Audit and Control Association
IFRS	-International Financial Reporting Standards
PPP	- Public-private partnerships
SOPs	-Standard Operating Procedures
UN	-United Nations

CHAPTER I

INTRODUCTION

Organizations need strong internal controls that are designed properly as they can help an organization to achieve its business objectives while minimizing risks associated with fraud or other unethical behavior. Internal control should be tailored according to the size and complexity of the organization's operations; it should also include monitoring mechanisms such as periodic reviews by management or independent auditors as per Criteria of Control Framework (COCO). Additionally, these controls must be regularly evaluated for their effectiveness in detecting errors or irregularities before they become material losses.

Turnbull (1999) defines internal control as a set of policies, processes, tasks and behaviors that are taken together to promote efficiency and reduce risks of asset loss. It also helps to ensure the reliability of financial statements and compliance with laws and regulations. According to COCO(1995) framework internal controls can provide reasonable assurance in detecting any potential risks or frauds which may deter the organization from achieving its goals.

Overall, Turnbull's definition highlights how integral internal control systems are when it comes to managing finances efficiently while reducing risk factors associated with fraudulent activities or errors in data collection/processing - all while adhering to legal standards set forth by governing bodies like SEC (Securities Exchange Commission). Companies must take into account not only what kind of measures they should implement but also how those measures will be implemented if they want long-term success within their respective industries.

Effective internal control systems play an essential role in ensuring complete accuracy for both management accounting processes as well as financial records; this is necessary for effective strategic planning, decision making, monitoring organizational performance. Shareholders need reliable information about their investments so it is

important that management acts responsibly by providing meaningful financial statements through proper implementation of these controls within their organizations.

The Sarbanes-Oxley Act, 2002 (SOX) was enacted to protect investors from fraudulent activities and corporate mismanagement. Organizations must have adequate internal controls in place to ensure compliance with SOX regulations. The act requires organizations to maintain a system of internal control over financial reporting, which includes the establishment and maintenance of effective policies, procedures, processes and systems for financial reporting.

Inadequate controls have resulted in large business losses due to fraud is correct; however there are measures organizations can take - such as implementing robust internal control systems - which will help reduce this risk significantly. Adequate implementation of these measures not only helps prevent potential fraud but also ensures compliance with legal requirements like SOX regulations set out by governmental agencies like SEC .

The Myanmar construction market size was valued at \$13.4 billion in 2021 and is projected to grow at an AAGR of more than 5% during the period 2023 to 2026. This growth outlook will be helped by government spending on country infrastructure, commercial and residential projects. The key sectors in the Myanmar construction market are commercial, industrial, infrastructure energy & utilities, institutional and residential; with the latter witnessing highest growth over recent years due largely to increased investment into housing projects throughout the country.

Construction supplies play a vital role as an upstream component of both construction and real estate sectors – accounting for some 60% of all costs associated with these industries – making this sector essential for sustained economic development within Myanmar’s economy going forward. As such it is important that both public-private partnerships (PPP) initiatives between local authorities/governments as well as private investors continue so that access to materials required can be adequately provided across all regions throughout this nation's vast geography - particularly those rural areas where access has been historically limited or non-existent until recently . There remains considerable potential for further expansion within this burgeoning industry.

The building material market has undergone significant changes in the last few years, with traditional sole traders and companies that focus on distributing basic materials such as cement, sand and hardware facing increased competition from modern trade outlets.

To remain competitive in this environment, some players have begun to modernize their operations by offering a wider range of products including home decorations, renovating their premises, increasing their online presence and better internal control. Additionally, these companies are implementing advanced stock control systems to better manage inventory levels while also offering organized delivery services for customers who require them.

One favored strategy for increasing contact points with customers is by offering after-sales services like those for home repair or installation of appliances which can help differentiate these companies from competitors who may not offer such services while still providing quality products at competitive prices. Furthermore, these companies are expanding their branch networks into provincial areas where they can gain access to more potential customers through direct sales channels as well as online stores that provide convenience shopping options without sacrificing product selection or quality service delivery standards.

These efforts are helping these businesses stay ahead of the curve by providing consumers with improved access to a variety of quality products at competitive prices. This is particularly beneficial for those living in remote areas where access to more specialized items may otherwise be limited or not available at all due to logistical constraints associated with transportation costs. Furthermore, it helps ensure that end users receive goods promptly which can help reduce downtime during construction projects thereby improving productivity overall while simultaneously reducing costs associated with delays caused by supply chain issues related thereto.

1.1 Rationale of the Study

The recent announcement from the Ministry of Commerce allowing for fully foreign-owned companies or joint ventures to enter Myanmar's retail/wholesale market has opened up a new wave of Foreign Direct Investment (FDI) into the country. Companies such as Makro, Aeron and Metro have already taken advantage of this opportunity with high compliance levels and good internal control systems in place. This influx of FDI is also driving an increased demand from consumers which presents both opportunities and challenges for local companies operating in the same space.

In order to remain competitive, local businesses must modernize their operations by implementing standard operating procedures (SOPs) as well as strong internal control measures. This is especially true given that many business failures around the world are attributed to weak internal control systems (Boulescu, 2003). Examples include Maxwell Communication Corporation, WorldCom, Sport Authority and Baring Banks who all collapsed due to inadequate oversight mechanisms within their organizations - emphasizing just how important it is for businesses today to prioritize robust risk management strategies if they hope stay afloat amidst increasing competition from FDI entrants into Myanmar's markets.

Ultimately then, while there are clear benefits associated with opening up Myanmar's retail/wholesale industry sector through increased FDI activity – including job creation opportunities – it does come with certain risks that should not be underestimated by domestic firms looking at competing against these more established players on their own turf now too . To ensure success over time therefore requires dedication towards developing sophisticated SOPs coupled with effective risk management practices designed specifically around mitigating potential losses before they become unmanageable down line.

Moreover, better internal control systems to ensure better reporting accuracy, financial statements that deemed reliable, prepared and conducted in accordance with provisions of applicable law, banking and financial industry regulation (Myanmar Financial Reporting Standards). Strong internal controls and good corporate governance can make ready to do dule diligence for potential investors in order to get capital injection for growth of the company.

Successful organizations strive to ensure their continued survival in a competitive environment by setting performance measures that focus attention on identifying and communicating success, support organization learning, and provide a basis for assessment and reward. Performance can be measured from four perspectives: financial perspective; customer perspective; internal business process perspective; and organizational capacity perspective (Kaplan &Norton, 1992). Internal business processes can be measured through inventory loss/damage rates, bad debt written off accounts receivable turnover ratio product lead time as well as customer service times.

PRO1 Global Home Center is facing several challenges as it plans to open new branches annually. The difficulty of involving daily operation and retaining employees can lead to

inventory loss during the handover time, as well as inventory adjustments for damages, obsolesces and wrong labeling. Moreover, there is a risk of wrong pricing due to fluctuation in exchange rates.

Alternatively, PRO1 Global is a rapidly growing business and as such, it is important to have an internal control system in place. This system will help minimize risk by providing checks and balances on the processes of the company, while also helping to improve operational efficiency. Additionally, having regular audits of these systems can ensure their effectiveness over time. With a good internal control system in place at PRO1 Global it can help reduce risks associated with rapid growth while improving overall operational efficiency within the organization

To address these issues, PRO1 Global Home Center needs to implement standard operating procedures embedded with internal control systems that will help prevent and detect possible risks or errors before they occur. Therefore, This paper study current internal control practices and operational performance of PRO1 Global Home Center in Yangon Region.

1.2 Objectives of Study

The objectives of the study are as follows:

- To identify the internal control system of PRO1 Global Home Center in Yangon Region.
- To analyze the effect of internal control system on operational performance of PRO1 Global Home Center in Yangon Region

1.3 Scope and method of the Study

PRO1 Global Co., Ltd has four branches in Yangon, two Branches in Mandalay, one branch in Mawlamyine and Taunggyi. This study focused on internal control system of PRO1 Global Home Centers in Yangon Region. Currently, PRO1 Global Home Centers in Yangon Region recruits 20 top-management level employees and 226 employees from middle level management. Middle level management includes departmental heads and operational supervisors of finance department, internal audit department, human resource

department, sale department and merchandising department of PRO1 Global Home Centers in Yangon Region.

This study used quantitative research method to testify the result. The simple random sampling method adopted for selected respondents. The sample size is calculated by Cochran's formula. Both the primary and the secondary data have been used for the study purpose. The primary data are collected through structured questionnaires and a total of 120 valid data were collected. Secondary data is used from PRO1 Global official website, Facebook page newsletters, past journals, published reports, books and websites. Multiple regression analysis is used to analysis the internal control system and descriptive statistics is used to present demographic background of respondents.

1.4 Organization of the Study

The study is organized into five chapters. Chapter one is the introductory chapter that covers the background to the study, rational of the study, objectives of the study, scope and method of the study and organization of the study. Chapter two describes theoretical background and relevant literature review of internal control system, operational performance and conceptual framework for the study. Chapter three is corporate profile of PRO1 Global Co., Ltd and its internal control activities. Chapter four is the analysis section includes research design, reliability and validity results, defining of internal control system, and analysis the effect of internal control system on operational performance. Chapter five is the conclusion, it include finding and discussion, recommendation and suggestion, and needs for further studies.

CHAPTER II

THEORETICAL BACKGROUND

This section provides the review of the related literature to the study. It describes the key theories and concepts used for the study. This part includes the conceptual definition of internal control systems, components of internal control, generic control categories, responsibilities of internal control, weakness of the internal control system and performance measurement of the organization.

2.1 Concept of Internal Control

As per Information Systems Audit and Control Association (ISACA), internal controls are a means to provide reasonable assurance that an organization will achieve its business objectives while avoiding undesired risks. Internal controls are policies, procedures, practices, and organizational structures put in place to reduce business risks in organizations.

Financial Report Council (FRC, 2005) mentioned that sound system of internal control can facilitates in safeguarding of the shareholders' investment, effective and efficient running of the operation, compliance with laws and regulations and timely preparation of financial reports.

The Turnbull Report, first published in 1999, defined internal control as a system of checks and balances to ensure that an organization meets its objectives. It recognizes that no control system is perfect and acknowledges the dynamic nature of organizations where risks can emerge unexpectedly or become insignificant. The purpose of any internal control system should be to provide reasonable assurance that the organization can meet its goals. Control is an essential element for ensuring future performance by providing direction, efficiency and strength to policies within the organization.

According to Martin (2005), internal control is a process affected by an organization's structure, workflows, authority flows, people and management information systems. This process is designed to help the organization achieve specific goals and objectives while also safeguarding its assets.

Internal controls consist of rules, policies, procedures implemented by management which include elements such as internal check-ups, audits and other forms financial monitoring measures. This also includes ensuring accuracy in accounting data as well as promoting adherence to managerial policies such as budgeting guidelines or other protocols set out by upper management for departments within the company. As Drury (2012) states "Internal controls are best regarded as a whole system rather than individual components".

By implementing effective Internal Controls system, organizations will not only reduce undesired risks but also improve its operations efficiency, compliance with laws & regulations, safeguard shareholders investments & timely preparation/presentation/accuracy assurance of financial reports.

2.2 Theories for Internal Control

Harvey and Brown (1998) identified control environment, accounting system and control procedures as the major components of internal controls. Grieves (2000) further elaborated on these components by stating that an internal control system available to a firm consists of management oversight and the control culture; risk recognition and assessment, control of activities and segregation of duties, information and communication, as well as monitoring activities to correct deficiencies.

The COSO Pyramid, introduced in 1992, was an important step forward for companies looking to establish their own effective internal control structures. The five tenets of COSO control components such as control environment, risk assessment, control activities, information and communication and monitoring worked together to support the risk management mission and business objectives of a company.

However, it lacked the direction and comprehensiveness needed to help companies with implementation steps and standards. In 2013, this changed when COSO issued new guidelines known as the 2013 Framework which provided additional tools for designing and implementing a risk management framework as well as updating the original pyramid into what is now called "The COSO Cube". This updated framework consists of 17 different internal control principles that work together from bottom up in order to achieve desired goals while managing risks effectively.

In this study, COSO 2013 is the background theory of the study. COSO 2013 framework focused on five integrated components of the internal control system. It is widely used in

USA to access the effectiveness of the internal control systems, UK and international auditing standards incorporate these components at a high level in these standards on risk assessment. This frame work consists of

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

Table (2.1) Components and 17 principles of internal control

5Components	17 principles
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.Specifices suitable objectives 7.Identifies 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: COSO, 2013

The first component is control environment. This refers to the overall attitude, awareness and actions of management towards internal controls within an organization. It also includes the ethical values, integrity of individuals in organizations and their commitment to operational excellence as well as management philosophy and perception of the risks.

The second component is risk assessment which involves identification, analysis and evaluation of risks that may affect the achievement of organizational objectives. Generally, risks can be classified into

Strategic risk: This risk of a business strategy becoming less or no longer effective is an ever-present challenge for businesses. It can be caused by changes in technology, the entrance of new competitors, changes in the business strategy of a direct competitor, or waning customer interest and can have serious implications for profit generation and growth (Farnham, 2021).

Compliance risk: Compliance risk is a common business risk in highly regulated industries, as businesses must adhere to industry regulations and standards or face potential penalties (Deloitte, 2020). This type of risk arises from businesses not following operations regulations in their state, or upon introduction of new regulation changes that can significantly alter a company's strategy and operations. Companies should be aware of the ever-changing regulatory landscape to ensure they remain compliant with all applicable laws; failure to do so could result in financial losses and other negative consequences for the organization.

Operational risk: Operational risk is an internal risk that arises from the business's daily activities. It can include technical failure, inappropriate decision-making, loss and damage of inventory, or employee-related issues (Auditboard, 2018). These risks are inherent in any business and can cause significant financial losses if not managed properly. Proper management of operational risks involves identifying potential threats, assessing their likelihoods and consequences as well as implementing strategies to mitigate them effectively. By proactively managing operational risks within a company's operations, businesses can ensure they remain profitable while reducing the impact on customers or other stakeholders should something go wrong.

Reputational risk: The reputation of a company is important. A company with a ruined reputation is at risk of losing public backing and customers, thus negatively impacting its brand loyalty (Eccles et al., 2007).

Financial risk: Financial risk is a type of business risk that has the potential to cause sudden and significant financial losses (CFI Team, 2023). This can be caused by changes in market conditions, providing credit to customers, or taking on debt as a company. It is important for businesses to understand the risks associated with their operations so they can create strategies that help mitigate any potential losses due to these types of risks.

The third component is control activities which are policies or procedures put in place to help ensure that management's risk-reducing directives for achieving objectives are

implemented. These activities are carried out at all levels of the entity, during various stages of business processes, and across the technology environment. They can be either preventive or detective in nature and can include a range of manual and automated tasks such as authorization and approval, verification, reconciliation, and business performance evaluations. Segregating duties is usually a factor in the design and implementation of control activities

The fourth element pertains to information systems such as computers used for data processing; it includes both manual processes (such as filing systems) and automated ones (such as computerized databases). It includes management utilization of relevant and high-quality information from both internal and external sources to support the operation of internal control. Communication is an ongoing cycle of giving, sharing, and acquiring necessary information. Internal communication is the method by which information is spread throughout the organization, flowing in all directions.

Finally, monitoring activities involve ongoing reviews by personnel at all levels within an organization designed to assess whether controls are operating effectively over time throughout a business cycle. Monitoring can be done through regular reports from line managers on their areas' performance against predetermined targets; through internal audit reviews conducted periodically; or through independent external audits performed annually by qualified professionals who test financial accounts for accuracy.

Internal control systems should be embedded in an organization and regularly updated to reflect changes in the environment. The purpose of these systems is to provide reasonable assurance that the organization will meet its objectives, not necessarily perfect assurance. Turnbull (1999) concluded that it is impossible for any internal control system to be foolproof as organizations are operating within a dynamic environment which can change quickly, meaning risk assessment and modification must take place continuously. As such, assessing the effectiveness of an internal control system should only give a snapshot view at one point in time rather than providing absolute proof of success or failure over a longer period.

2.2.1 Responsibilities of Internal Control System

The responsibility of implementing an effective internal control system lies with the owners themselves; however, as a business grows in size and complexity it can become difficult to remain aware of what is going on across all areas within the organization due to

increased specialization among employees. This means that shareholders may not be fully informed about certain activities taking place which could lead to potential risks if left unchecked or undetected. Therefore it is essential that owners recognize this risk and those in charge at higher levels such as board members or executives who oversee operations on behalf of shareholders are responsible for best interest of shareholder. Therefore, responsibility for the development and maintenance of an appropriate set of controls, including financial reporting controls, lies collectively with the board of directors.

2.2.2 Weakness of Internal Control System

It is essential for management to be involved in the implementation of internal control systems. However, this can also lead to a high possibility of collusion and management override the system. When such occurrences happen, controls may be circumvented through fraudulent activities with parties outside or within an entity (Millichamp, 1996).

In addition to potential fraud from external entities or employees of an organization, there is also risk associated with transactions that are not part of usual operations which might escape being subjected to rigorous control measures. This could include staff taking shortcuts instead of following procedures due to stress in their working environment or carelessness on behalf part due poor judgment and lack knowledge about certain processes.

When it comes down cost-effectiveness when implementing internal controls systems; it's important that the costs associated with these measures do not outweigh any potential losses incurred by fraud or error within a business entity. Therefore businesses must ensure they have adequate resources available while managing risks effectively without compromising operational efficiency when establishing effective internal control mechanisms at all levels throughout their organization structure.

2.2.3 Internal Control Goals

As per COSO frame work, internal control objectives can be divided into three categories as follow

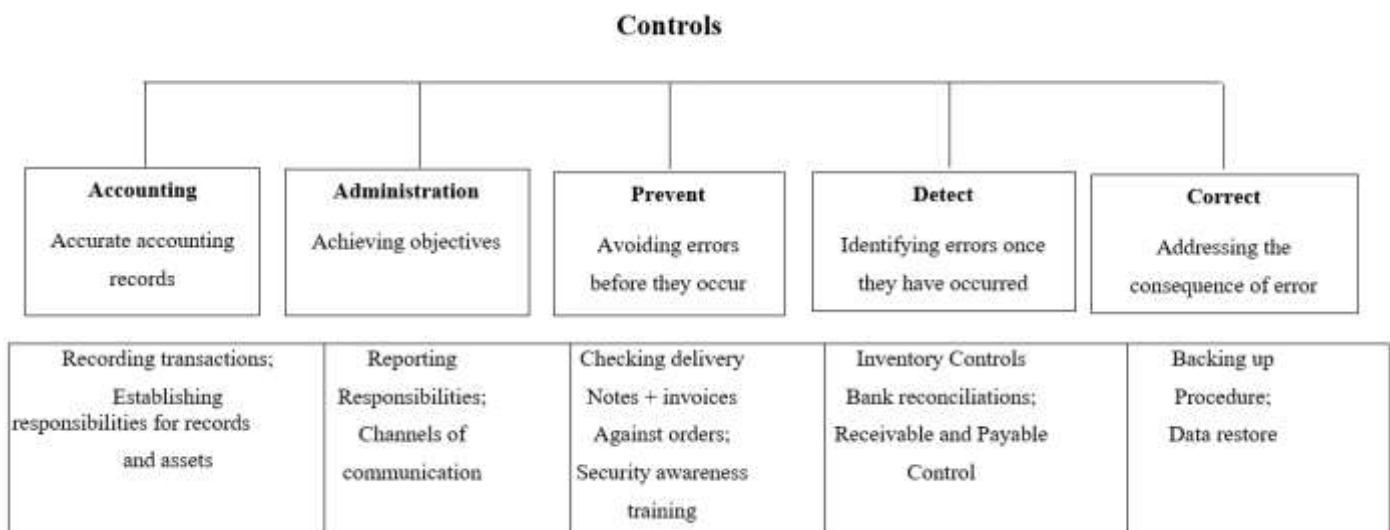
- | | |
|-------------------------|---|
| Operations objectives : | To prevent and detect fraud and error and improve efficiency and effectiveness of the business |
| Reporting objectives: | To provide accurate, complete and relevant financial and non-financial information in timely manner |

Compliance objectives: To comply with laws, regulations and standards

2.3 Types of Internal Control

Internal controls can be mainly categorized into preventative controls, detective controls and corrective controls. There are various internal controls employed in organization such as documentation, verification, supervision, safeguard assets, personal controls and reporting. Figure 2.1 describes five categories of internal control that are often used

Figure (2.1) Five Types of Controls in COSO Report



Source : COSO report, 2013

Accounting controls are designed to guarantee that financial statements provide an accurate representation of the organization’s financial position in comply with relevant regulations and applicable accounting standards. These measures help organizations protect their assets, prevent fraud, maintain accurate records, comply with regulatory requirements, identify discrepancies between actual results versus budgeted amounts or forecasts and ensure that resources are used efficiently.

Administrative Control Systems involve procedures such as segregation of duties which helps reduce opportunities for errors or fraud by ensuring different people perform different tasks related to a particular process; establishing standard operating procedures;

setting physical access controls for sensitive information; conducting regular reviews/audits on internal processes etc.

Preventive Control Systems focus on identifying potential risks before they occur – this includes implementing automated checks into the system so data can be verified quickly when it is entered into the system; monitoring transactions closely using analytical tools like dashboards etc.; performing background checks on new employees who will have access to sensitive information etc.

Detectives controls help detect and investigate irregularities or fraudulent activities that may occur after the fact. They can be used to identify discrepancies between actual results and budgeted amounts, reconcile individual accounts with control accounts, perform quality control checks on data, and more. By analyzing financial records for patterns of unusual behavior or transactions that do not fit with established norms within the organization, detective controls can alert management to possible problems early on so they can take action quickly before losses mount up too high.

Corrective controls, which are designed to identify and correct errors arising from a problem or threat before it has an opportunity to cause damage. Backup and restore data is one type of corrective control used by many organizations today. This type of corrective control helps keep business operations running smoothly by minimizing disruption caused by unexpected threats & ensuring continuity of the business.

2.4 Operational Performance

Performance measurement is an important part of any organization's success. It helps organizations to assess their progress, identify areas for improvement and allocate resources effectively. The most appropriate performance measures are those which enable organizations to direct their actions towards achieving strategic objectives (Dixon et al., 1990).

Organizational performance refers to the overall effectiveness of an organization in achieving its goals and objectives. It takes into consideration various factors, such as financial performance, customer satisfaction, employee morale, market share, and innovation, to evaluate the success of an organization as a whole. Kloot (1999) further adds that organizational performance can be measured in terms of quality of services, flexibility,

utilization and innovation. He states that these four components should form the basis on which performance can be evaluated by any organization or institution.

Operational performance, on the other hand, focuses on the efficiency and effectiveness of the day-to-day activities that drive an organization's success. It examines specific processes, such as supply chain management, production, and customer service, to determine how well the organization is functioning in these areas. Operational performance can be measured at different levels such as organizational or individual level using 3Es – economy, efficiency and effectiveness (Palmer,1993). Operational performance can be assessed by looking at customer satisfaction ratings, employee engagement scores, product lead time, inventory damage/loss rate, timeliness and accuracy of information, reduction of bad debts, effectiveness of internal control and risk assessment. Efficiency as maximizing inputs for a required output whereas effectiveness as meeting goals in terms of quality & quantity with minimum wastage of resources (Drucker,1999) .

2.5 Effect of internal control system on operational performance

Coco provided an effective criterion to assess the effectiveness of internal controls. According to Coco, for a control system to be judged as effective, it must ensure that the entity's operations objectives are being achieved; appropriate financial statements are being prepared and reliable applicable laws and regulations are complied with. Internal control is a process whose effectiveness can only be assessed at any given point in time. The components of this process provide reasonable assurance regarding achievement of all stated categories of objectives thus ensuring high organizational performance levels. One such component is known as the control environment factor which refers to factors such as integrity, ethical values and competence among employees within an organization (Shandl & Foster, 2019).

Internal control should be viewed in a broader context, as it is not only comprised of standards and compliancy mechanisms but also reorganized to reflect people's ethical values . Wells (2001) illustrates the prevalence of fraud within organizations and how competent accountants are able to detect fraudulent transactions. An effective internal control system helps an organization achieve its objectives such as efficiency, effectiveness, reliable financial reporting and compliance with regulations(Schandl & Foster, 2019). Controls serve the systems goals by interacting with both the system itself and its environment;

thereby directing energy towards achieving desired outcomes while at the same time being able to adapt quickly when changes occur in their environment.

2.6 Previous Studies

Cheng, Goh & Kim (2018) examined whether internal control over financial reporting affects firm operational efficiency. This study found that operational efficiency, derived from frontier analysis, is significantly lower among firms with material weaknesses in internal control relative to firms without such weaknesses. Moreover, the remediation of material weaknesses leads to an improvement in operational efficiency. Additional analyses indicated that the negative effect of material weaknesses on operational efficiency is stronger for firms with a greater demand for higher quality information for decision making, for weaknesses that are deemed to be more severe, and to a certain extent, for smaller firms. Overall, this study extends the literature by presenting systematic evidence on the effect of effective internal control on operational efficiency and informs the debate over the costs and benefits of the internal control reporting requirements under the Sarbanes-Oxley Act of 2002.

Tuan (2020) studied the impact of internal control elements on the performance of Vietnamese construction firms. The results of the study indicate a positive relationship between internal control elements and performance, suggesting that the application of internal control measures can lead to improved efficiency, cost savings, increased sales, and better overall performance in Vietnamese construction firms. The findings highlight the importance of internal control in the management of business activities and emphasize the need for Vietnamese construction enterprises to implement internal control practices in order to improve their performance and support the growth of Vietnam's economy.

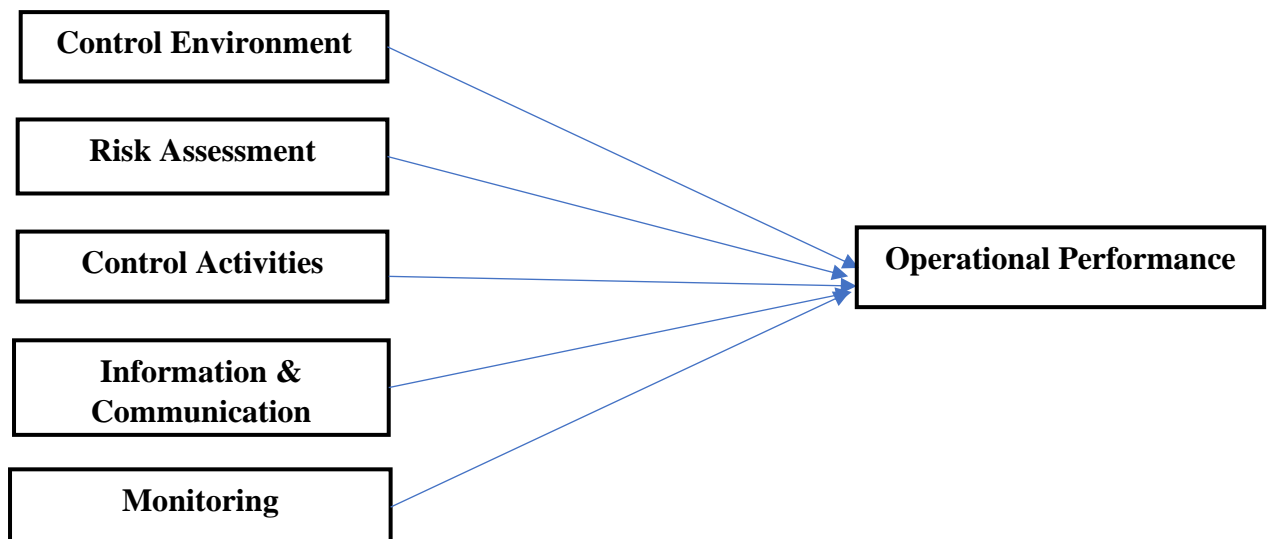
Agegneu (2020) investigated the purpose of ascertaining the effect of internal control system on organizational performance. Internal control system is intervened with organizations operating activities and it is most effective when controls are built into the organizations infrastructure becoming part of the very essence the organizations success in terms of continued improvement on performance standards as part of the competitive advantage of the organization. However according to how work is carried out some companies, there have poor documentations, no segregation of duties which affect organizational performance. This study used descriptive design in soliciting information on the effect of internal control system on organizational performance. Data was collected from the respondents using questionnaires, and analyzed using descriptive statistics. The study

findings indicated that the organization carried out proper authorization and approval of transactions. The result of the study also shows that that almost 2/3 of the respondents did agree with the fact that the organization reconciled physical cash with cash book balances, while 21% disagreed on the facts. This was because most business purchases (receipts) were not recorded so identifying the actual value of the assets was difficult leaving accountants with no knowledge on the assets. Based on this results, the study recommends that management should develop more effective strategies that will ensure that internal control is effective and efficient, so that fraud perpetration in the organization will be significantly reduced. The study also recommends that the company should work to correct its internal control system by periodic reconciliation of accounts.

2.7 Conceptual Framework of the study

This study tries to understand importance of internal control for PRO1 Global Home Center branches in Yangon Region and their performance in term of operational data. According to the Cheng, Goh& Kim (2018), Tran (2020), and Agegneu (2020), the conceptual frame of the study is occurred. The conceptual framework of the study defined in following Figure (2.2).

Figure (2.2) Conceptual Framework of the Study



Source: Own Compilation

According to conceptual framework, control environment, risk assessment (especially operational risk and financial risk), control activities, information and communication and monitoring as independent variables. This study analysis internal

controls of Home Center branches in Yangon Region and not representing the whole entity level and represented only branches in Yangon. On the other hand, operational performance will be measure in term of inventory loss and damage rate, accuracy and completeness of record keeping, reducing bad debt due to timely information, efficiency and effectiveness of customer services and business operation and the process of management risk specifies suitable objective and analysis risk.

Working Definition:

Control Environment: Refers to existence and independence of internal audit department, competency of employee, realistic level of setting goal and compliance level of the business.

Risk Assessment: Refers to assessment of impact and possibility of operational and business risks, training and orientation of risk awareness and management involvements in risk assessment

Control Activities: Refers to existence of internal controls such as review, reconciliation, segregation of duties, level of prohibition from IT department, taking corrective action for weakness in internal controls and job rotation.

Information & Communication: Refers to availability and access of direct communication channels among management and different stakeholders and sharing information internally in timely manner.

Monitoring: Refers to assessment the security of IT environment and internal audit, preparation of letter of weakness and inform management

Operational Performance: Refers to capacity utilization, inventory turnover and defect rate, response time, timeliness of information and default rate of debts

CHAPTER III

BACKGROUND STUDY OF PRO1 GLOBAL CO., LTD

This section presented the overview of construction industry in Myanmar, profile of PRO1 Global Co., Ltd, its vision, mission and corporate culture. Moreover, internal control systems of PRO1 Global Home Center are categorized into five components such as control environment, risk management, internal control activities, monitoring activities, information and communication are elaborated in this chapter.

3.1 Overview of Construction Industry in Myanmar

The Myanmar construction market has been steadily growing in recent years, and 2021 is no exception. According to data from GlobalData, the market size was valued at \$13.4 billion in 2021 and is projected to grow at an AAGR (Annual Average Growth Rate) of more than 5% during the period 2023-2026. This growth will be largely driven by demand for residential properties as well as infrastructure projects such as roads, bridges, airports and ports.

Unfortunately, though this year's growth prospects have been impacted significantly due to supply chain disruptions caused by Covid-19 pandemic along with labour shortages which have affected industry output negatively compared to 2020 levels; with a contraction of 7.7% expected according to Global Data's estimates. Furthermore, political crisis that has recently engulfed Myanmar could further impact foreign investments into its construction sector leading it towards an even weaker performance for 2021 if not properly addressed soon enough.

Despite these challenges however there are still numerous opportunities available within the country's construction industry, especially when it comes down investing into

residential properties or infrastructure related projects - both public & private alike - that can help drive economic development & create jobs while also helping improve living standards within Myanmar itself. With proper planning & implementation, investors should look forward towards taking advantage of these opportunities while they last so they can benefit from potential returns on their investment over time despite current headwinds faced by this sector currently.

The recent changes in Myanmar have had a devastating effect on the country's construction industry. Over 500,000 workers have been made redundant due to an abrupt halt in construction projects and the cost of imported building materials has increased drastically due to a weakening of the domestic currency. To make matters worse, domestically-produced cement prices have doubled as a result of worsening banking conditions.

Unfortunately, international aid organizations such as The World Bank and Asian Development Bank (ADB) along with governments like Japan and South Korea are no longer providing assistance or continuing their current projects in Myanmar either – leaving many without work or resources for rebuilding efforts.

This is concerning news for all involved parties – both those directly affected by job loss within the industry itself but also those who were depending on foreign entities for help rebuilding their communities after natural disasters or other destruction caused by conflict over time . It is important that countries come together now more than ever before to provide support where it can be found so that people do not suffer further losses during this difficult period.

Fortunately, there may still be hope yet: some local businesses are starting up initiatives aimed at helping displaced workers find new employment opportunities while others are working towards finding ways to reduce costs associated with importing building materials into Myanmar once again. This could potentially lead to greater economic stability within certain areas if successful enough - allowing citizens access much needed jobs while simultaneously stimulating growth through investment from outside sources if able.

The global economy has been severely impacted by the COVID-19 pandemic, with many industries experiencing a sharp decline in growth. Nonetheless, there is hope for recovery next year as analysts expect the industry to record growth of 2.3% in 2022 and an

annual average of 7.1% between 2023 and 2025 due to investment in transport infrastructure, energy generation, industrial parks and housing projects.

The government's aim to increase nationwide access to the national power grid from 58% this year up to 100%, by 2030 will further drive investment into electricity infrastructure; however it may not be enough for real output growth surpassing pre-pandemic levels until 2024 at earliest.. Despite this challenging outlook businesses can take advantage of these investments which could create new opportunities across various sectors or help them transition their business models towards more sustainable practices that are better suited for post pandemic era such as digitalization or ecommerce solutions that could help reduce costs while increasing customer satisfaction with faster delivery times etc .

3.2 Profile of PRO1 Global Co., Ltd

As Myanmar's economy continues to grow, so too does the need for better infrastructure. This increased demand has created an urgent need for more building materials and home living products in order to meet this growing infrastructural requirement. To address this challenge, Global Home Center was established 10 years ago as the biggest building materials and home living product shopping center in Myanmar.

PRO1 Global Home Center is a joint venture between SCG, Thailand's top industrial conglomerate and its Myanmar partner PRO1. This company was founded in 2013 when Global House International (GHI), which holds 30% of the shares in PRO1 Global Co Ltd, joined forces with SCG to become one of the leading distributors of building materials and home decoration products in Myanmar. The success story behind this joint venture began 17 years ago when PRO1 first partnered up with SCG as an import-export business based out of Myanmar. Since then, their relationship has grown from strength-to-strength culminating into what is now known as the powerful entity that it is today—PRO1 Global Home Center.

At PRO1 Global Home Center, customers can find everything they need when it comes to construction materials, tools, and equipment used in construction or home improvement projects as well as decorative items for household and gardening decoration purposes – all under one roof. With 14 branches currently located across major cities of Yangon, Mandalay, and Shan States - with plans underway to open even more outlets

throughout other regions of Myanmar - PRO1 Global Home Center is quickly becoming a leader when it comes to providing quality one-stop service solutions for all customers' needs related to construction materials.

PRO1 Global Home Center is the place to look for reliable yet affordable building materials that will help bring the vision of a perfect house into reality then look no further than what PRO1 Global Home Center has on offer from top-notch tools & equipment used by professionals throughout their various stages of construction right down to finishing touches such as paint & wallpaper; there's something here at PRO1 Global Home Center that caters perfectly to every budget size while still delivering high-quality results each time.

Vision

To be the leader of the construction material and home improvement retail industry in Myanmar.

Mission

- To be "One place, get all" with competitive price and innovative products to improve people living standard.
- To do operation excellence and make customer satisfy.
- To be sustainable growth together with the stakeholders.
- To do emphasize to develop PRO1 Global people capabilities by good organization, working culture and welfare.
- To apply innovation technology to develop business efficiency.
- To operate based on social-responsible and good relationships with the environment.

PRO1 Global corporate cultures are

- Accountability
- Collaboration
- Humility
- Innovation
- Ethics
- Value and
- Energy

3.3 Internal Control System in PRO1 Global Home Center

PRO1 Global is tasked with promoting the advancement of its financial and accounting report system to meet international standards, as well as ensuring that the company has an appropriate, modern, efficient internal control system; an effective internal audit system; good corporate governance; a risk management program in place; all designed to ensure that duties performed by members of the board or employees are always conducted within external auditors.

3.3.1 Control Environment

PRO1 Global is committed to upholding the highest standards of corporate governance and compliance with applicable laws and regulations. To this end, PRO1 Global has established an internal audit department composed of highly qualified staffs who have extensive auditing and accounting experience. This The internal audit department also acts independently on behalf of shareholders in order to provide objective assurance on whether adequate controls are being implemented effectively throughout our organization.

3.3.2 Risk Management

Internal audit department is committed to a comprehensive risk management program that includes the review of its work processes, controls, oversight of performance duties and IT governance. PRO1 Global Home Center has developed a comprehensive risk management framework to ensure the organization is able to identify and respond to risks or opportunities in an appropriate and timely manner. The framework covers three main areas: strategic, financial, and operational risk. The process involves identifying potential risks or opportunities, assessing their impact on the company's operations, developing strategies for responding effectively (e.g., reducing exposure), implementing those strategies as needed, monitoring progress regularly through reporting mechanisms such as dashboards or scorecards; all with the aim of meeting corporate objectives while maintaining compliance with good corporate governance principles. This approach allows PRO1 Global to better manage its business operations by proactively addressing any identified issues before they become too large of a problem for stakeholders involved in decision-making processes within the organization

Management need to consider impact of possible changes in the internal and external environment, their probability and to take action to manage the impact. In order to manage these operational risks, financial risk and business risk, PRO1 Global can do by following ways

- Transfer: Transferring risk if the risk are transferrable such as buying insurance, outsourcing services.
- Avoidance: By not doing or taking the risk if risk level is above organization's risk tolerance level
- Reduce: By implementing good practice of internal controls and corporate governance
- Acceptance: By accepting the risks if these risks are within the risk tolerance level and in line with business's risk appetite.

3.3.3 Control Activities of Internal Audit Department

This department oversees the establishment of internal control rules and frameworks as detailed in its Articles of Incorporation, which include Management Systems, Board Systems, Employees systems. The Internal Audit Department review the effectiveness of these systems through conducting audits on high-risk matters such as inventory lost or damage slow moving items and wrong pricing to ensure compliance with legal requirements while managing risks efficiently for appropriate business operations. Internal audit department prepare standard operating procedure in collaboration with relevant departments. They review these procedures regularly and make any necessary amendments.

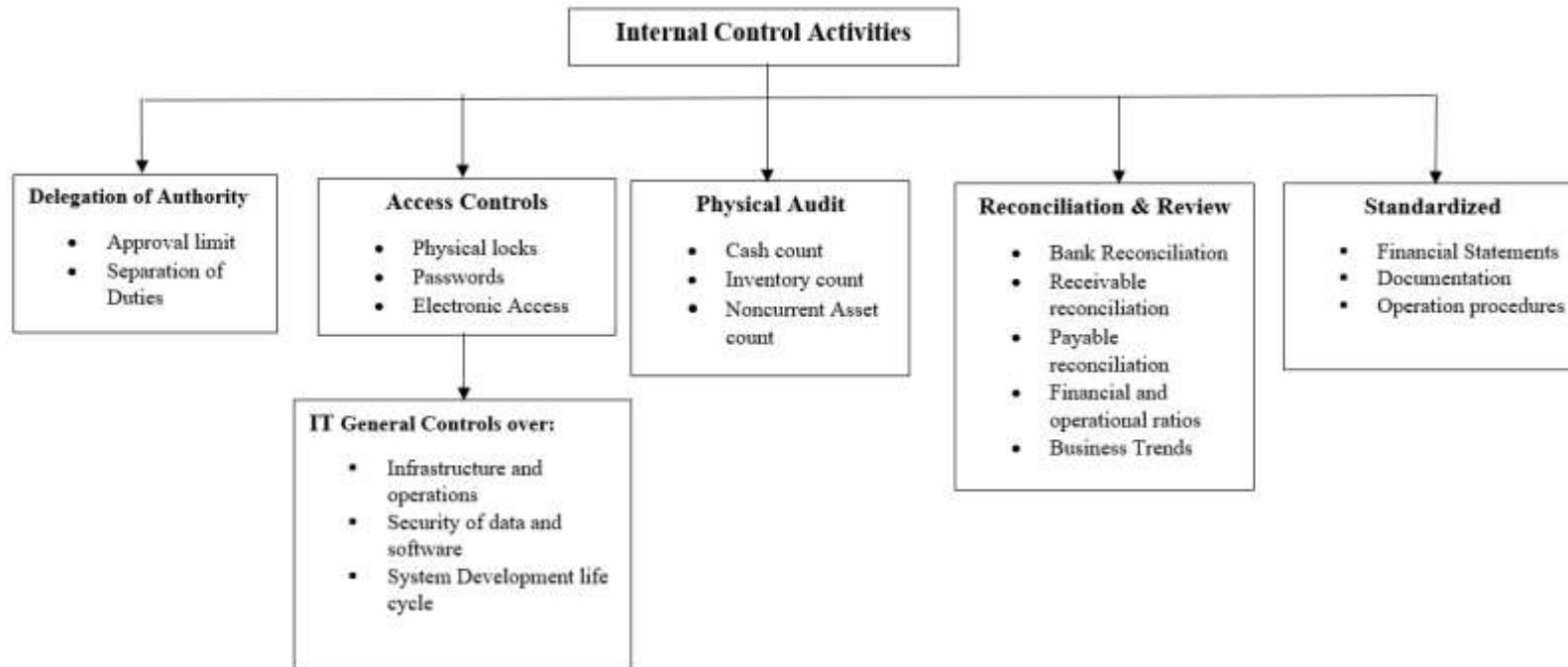
PRO1 Global Home Center recognizes the importance of delegation and has established a clear and written delegation of authority with financial approval limits for each level of management. This ensures that all financial transactions, procurement, general management decisions are made in accordance with corporate rules and related laws, business ethics, employee ethics as well as legal obligations. The Board of Directors and the Management Team have enforced operational discipline amongst employees to ensure compliance with these regulations.

Additionally, PRO1 Global Home Center has set up an access control policy which prevents outsiders from accessing or editing sensitive company information while allowing

authorized personnel to view this data securely. Moreover, PRO1 Global Home Center regulates the access control of each work system and has prepared business continuity plan to counter any incident that may affect the information and communication system. By providing such a comprehensive framework for authorization levels within its operations

structure PRO1 Global Home Center is able to maintain high standards when it comes to making important decisions regarding its finances or business matters.

Figure (3.1) Internal Control Activities



Source: PRO1, 2022

3.3.4 Information and Communication

Internal audit team is committed to reviewing the appropriateness of the financial reporting system and disclosure of information in its financial statements in accordance with legally defined Financial Reporting Standards. The department is also working to promote the development of financial reporting systems that comply with International Financial Reporting Standards (IFRS). This will enable PRO1 Global to ensure accuracy, transparency, and reliability in its reports while meeting applicable legal requirements. The team is dedicated to staying up-to-date on current international standards so as not only remain compliant but also provide stakeholders with a clear understanding of company's finances.

PRO1 Global has established direct communication channels between key stakeholders such as employees, customers, suppliers, communities and shareholders. These communication channels include customer complaint or recommendation forms for feedback from customers; regular management meetings with department heads and employees to ensure efficient operations; annual shareholder meetings to discuss financial performance and other relevant topics; CSR activities that promote corporate responsibility in the community; and supplier visits to listen to problems or suggestions they may have. By setting up these direct lines of communication among stakeholders, PRO1 Global is ensuring that all voices are heard within their organization.

3.3.5 Monitoring Activities

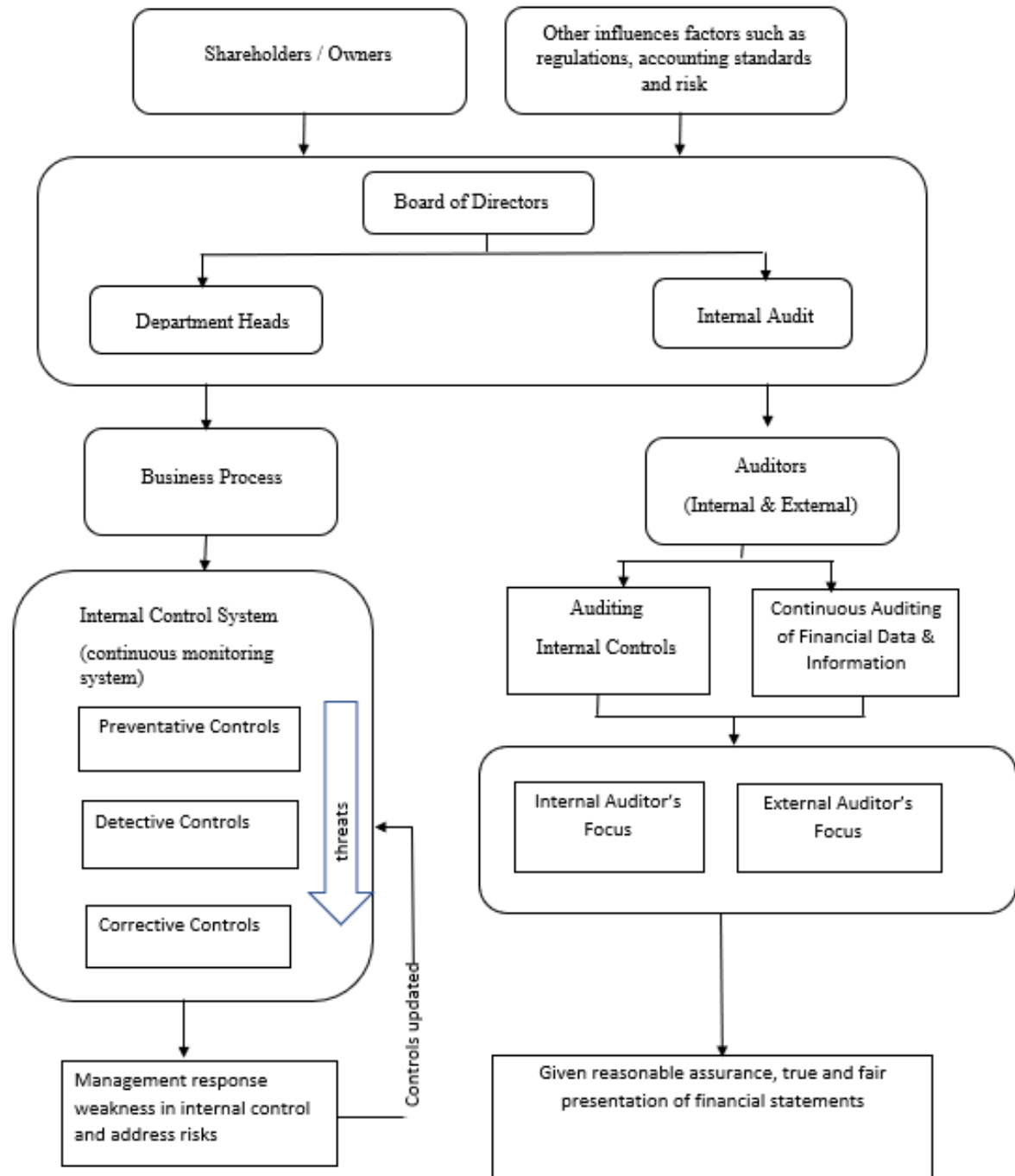
PRO1 Global has established information and integrated network security measures in order to ensure their effectiveness and compliance with international standards. Regular internal audits are conducted on all areas mentioned above in order to identify any risks or vulnerabilities that may exist within operations. The results from these reviews are shared across all levels of management so corrective actions can be taken as necessary.

The internal audit department is authorized to call upon management, heads of offices, or employees concerned to present their opinions, attend meetings and submit necessary documents in order to fulfill its duties under its scope of authority. Furthermore, the internal audit department seeks independent opinion from professional consultants as

deemed appropriate at the company's expense in order to ensure that all aspects are covered with respect to internal audit activities.

PRO1 Global Home Center ensures that its internal control system is effective and operational results are in line with the targeted objectives by arranging analysis, reporting and meetings on a regular basis. In addition to these activities, PRO1 Global also arranges for both internal audits and external audits to be conducted. The auditor's report directly to the management so that their independence from other departments is maintained while they perform their duties and present their findings. This helps ensure accuracy of reports as well as compliance with standards set out by PRO1 Global Home Center for efficient functioning of its operations.

Figure (3.2) Monitoring Activities of Internal Control System And Risks



Source: PRO1, 2022

CHAPTER IV

ANALYSIS ON THE EFFECT OF INTERNAL CONTROL SYSTEM ON OPERATIONAL PERFORMANCE

This chapter of the study is dedicated to the interpretation of results that were gathered from the questionnaire. It contains research design, respondents' profile in this research, analytical methods and tools used in this research, and multiple linear regressions analysis results.

4.1 Research Design

There are three main types of designs in this research: variables in the research study, the simple random sampling method, and descriptive statistics for data analysis. A proper research design provides success in accomplishing and insights that are accurate and unbiased (QuestionPro, 2022).

This study analyzes the effect of internal control system on operational performance of PRO1 Global Home Center. Five-point Likert scale is used in the survey questionnaire for measuring the strength of a respondent's opinion. Which are given numerical values ranging from strongly disagree to strongly agree (ranging are on 5-point scale; strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5). This study is designed to collect data from 49 % of total population (120 employees top management and middle management).

In a sampling technique, each member of a population has an equal chance of being chosen, through the use of an unbiased selection method (Simkus, 2022). As a sampling technique, the random sampling method was used in this study to minimize any biased representation. This study analyzed 120 respondents who are top and middle level management staffs in PRO1. In collecting data process, respondents were given by using google survey questionnaire to get primary data.

The descriptive statistics was applied by using SPSS Version 25 to determine measures of internal control factors and operational performance. And the multiple

regression model is utilized to explore the internal control system effect on operational performance.

4.2 Demographic Profile of Respondents

The initial phase of analysis is to determine the characteristics of the respondents involved in the study. A demographic characteristic of the respondents is developed in terms of background information of the personal characteristics relating to operational performance. Firstly, 120 respondents' profile including general information of the PRO1 workers (supervisor to senior management) such as gender, age, education, and position are identified. Each characteristic has been analyzed in terms of absolute value and percentage, and the summary table of demographic characteristics is used to display these data more clearly. Table (4.1) indicates the summary table of demographic characteristics of respondents.

For gender, out of the 120 respondents, 32.5% are male and 67.5% are female. In the age group, most of the respondents were aged between 31 and 40 years.

Table (4.1) Demographic Characteristics of Respondents

Items	Number of Respondents	Percentage
Total	120	100
Gender		
Male	39	32.5
Female	81	67.5
Age (Years)		
21-30yrs	57	47.5
31-40yrs	63	52.5
Education		
High School	14	11.7
Graduate	103	85.8
Master	3	2.5
Positions		
Supervisor	60	50.0
Manager	43	35.8

Head of Department	5	4.2
Senior Management	12	10.0

Source: Survey Data, 2023

Data from Table, the education level is categorized into three groups; master, graduate, and high school. Majority of respondents graduated (85.8%). Respondents were also asked to indicate their respective position. Among them, 60 respondents representing 50% were supervisors and they are the highest group, 5 respondents representing 4.2% were head of department and the lowest group.

4.3 Validity and Reliability Test for Variables

The reliability of the variable is tested by examining the data consistency and stability. Consistency indicates how well the items measuring a concept hang together as a set, Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. The range of coefficient of Cronbach's alpha and its reliability level (Sekaran & Bougie, 2009) is as shown in Table (4.2).

Table (4.2) Rule about 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: Sekaran and Bougie (2009)

Table (4.2) shows that the validity test of all variables such as control environment, risk assessment, control activities, information and commitment, monitoring and operational performance. The questions in the questionnaire that associated with the different factors that influence on operational performance of PRO1 supervisor to senior management have the reliability at the level of $\alpha = .70$ above. The alpha coefficient for all

variables between .742 and .851, suggesting that the items have relatively high internal consistency then the questionnaire is acceptable.

Based on the mean values of items, the respondents basically agree the five factors of internal control. Each factor contains different number of items and is measured by 5-point Linkert scale. In each of the following factors, control environment, risk assessment, and control activities are 9,12, and 11 items and information and commitment is 5 items and monitoring is 6 items respectively. Moreover, operational performance is 7 items in the survey questionnaire.

Table (4.3) Cronbach’s Alpha and KMO Test

No.	Factors	Number of Items	Cronbach's Alpha	Validity KMO
1	Control Environment	9	0.758	0.749
2	Risk Assessment	12	0.811	0.709
3	Control Activities	11	0.851	0.744
4	Information & Commitment	5	0.801	0.698
5	Monitoring	6	0.742	0.758
6	Operational Performance	7	0.827	0.792

Source: SPSS Outputs, 2023

The reliability test of all variables in two different tests: the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett’s test of Sphericity (Appendix C). The KMO measure values of all questionnaire statements are checked; since the KMO values of all statements enter into the interval .5 ~ 1, none of the statements is eliminated from the analysis. The general KMO measure of sampling adequacy, counted as the mean of KMO of all statements, in this case, all KMO values are above.7 (Table 4.3); this shows a rather high data dispersion which can be explained by the factors. The KMO measure can take values from .5 to 1; the closer this measure is to 1, then the higher the sampling adequacy is in the relation of data.

4.4 Descriptive Analysis on Internal Control System and Operational Performance

Factors considered by PRO1 Global Home Center supervisor to senior management are measured by control environment with nine items, risk assessment with twelve items, control activities with eleven items, information and communication with five items, monitoring with six items and operational performance with seven items.

Each item is measure on five-point Likert scale (1: strongly disagree, 2: disagree, 3: neutral, 4: agree,5: strongly agree). The mean score is calculated and addressed for each statement. Because each statement is calculated with a Likert scale of five points, the minimum, middle, and maximum mean scores are 1, 3, and 5. Furthermore, if the mean scores can be interpreted as from 1 to 1.80 represents (strongly disagree), from1.81 until 2.60 represents (do not agree), from 2.61 until 3.40 represents (true to some extent), from 3.41 until 4:20 represents (agree), from 4.21 until 5.00 represents (strongly agree). The standard deviation is a measure of the amount of variation or dispersion of a set of values. A low standard deviation indicates that the values tend to be close to the mean of the set (more reliable), while a high standard deviation indicates that the values are spread out over a wider range (less reliable).

4.4.1 Control Environment

In this study, control environment in operational performance include nine items. According to 5-point Linkert type scale with respect to control environment, the result of mean values is as shown in table below.

Table (4.4) Control Environment

No.	Items	Mean	Std. Deviation
1	PRO1 Global has an internal audit department.	4.97	.157
2	If there are frauds and error, enforcements are followed	4.03	.916
3	Staffs from internal audit department have competence and relevant experience.	4.57	.796
4	PRO1 Global has clearly written job roles and responsibilities	4.69	.562
5	PRO1 Global highly comply with relevant laws and regulations	4.73	.546
6	Internal audit department is independent and direct reporting line to BOD	4.32	.900
7	Management follows ethical guidelines in dealing with employees, suppliers, customers, investors, creditors, insurers, competitors, regulators and auditors.	4.59	.704

8	Management set realistic (i.e., not unduly aggressive) financial targets and expectations for operating personnel.	4.38	.723
9	The board of directors and management act to remove or reduce incentives or temptations that might prompt personnel to engage in dishonest, illegal or unethical acts?	4.53	.634
Overall Mean		4.53	

Source: SPSS Outputs, 2023

Result from Table (4.4) indicates the high agreement level of mean values (4.97, 4.73, and 4.69) are existence of internal audit department, compliance of law and regulations and prescribed roles and responsibilities. Enforcements and independence reporting line to BOD are uncertain level of influence to control environment. In the analysis of the understanding about control environment, Table (4.4) showed that the overall mean score is 4.53.

4.4.2 Risk Assessment

In this section, risk assessment was analyzed by eleven elements such as : The main score of each element is shown in Table (4.5) as follows.

Table (4.5) Risk Assessment

No.	Items	Mean	Std. Deviation
1	PRO1Global identifies risks that affect the achievement of objectives in a timely manner.	4.29	.666
2	All employees are well trained on risk assessment	3.88	.815
3	The organization involves the appropriate levels of management with the necessary expertise to identify risks to achieving its financial reporting objectives, and to perform the related assessment of the risks	4.06	.873
4	Management’s risk assessment process considers the likelihood and magnitude of occurrence of an identified risk	4.07	.670
5	The risk assessment revisited on an appropriate interval.	4.10	.679
6	Organization’s risk assessment process includes an evaluation of incentives and pressures, opportunities, attitudes and rationalizations to commit fraud	4.26	.750
7	PRO1 Global considers the risk on inventory lead time	4.07	.905
8	Company considers the risk of provisional doubtful debt	4.27	.857
9	PRO1 Global consider the risk of stock loss such as damage, obsolesce etc	4.12	.822

10	Organization considers the risk of insolvency to the suppliers' payment?	4.26	.903
11	PRO1 Global considers the risk of exchange rate fluctuation	4.42	.631
12	The risk identification comprehensive and it includes all significant interactions internal to an entity and between the entity and is relevant business partners and outsourced service providers	4.27	.661
Overall Mean		4.17	

Source: SPSS Outputs, 2023

In the analysis of risk assessment, Table (4.5) shows that average mean value is 4.17, indicating that there is good risk assessment system in the organization.

Due to most of the goods are imported from overseas and exchange rate fluctuation has great impact on the profitability of the PRO1 Global. Thus, consideration of exchange rate fluctuation is the highest mean value 4.42(standard deviation 0.631). After exchange rate fluctuation, identify risk in timely manner is followed by. It is a consequence of the current market condition; risk need to be identified in timely manner and should take preventative control measure at the earliest. The lowest mean score is 3.88 in risk assessment training to employees.

4.4.3 Control Activities

In this section, control activities are analyzed by using eleven factors such as type of controls, reviews, reconciliation, job segregation, job rotation and performance review. The mean score of each statement is described in Table (4.6).

Table (4.6) Control Activities

No.	Items	Mean	Std. Deviation
1	The controls include a range and variety of controls, including manual and automated, preventive and detective.	4.41	.692
2	IT personnel prohibited from having incompatible responsibilities or duties in user departments.	4.39	.702
3	Controls exist at various levels within the organization from transaction level controls to entity-level management review controls.	4.35	.603
4	Management reviews key performance indicators (e.g., budget, profit, financial goals, operating goals) regularly (e.g., monthly, quarterly) and identify significant variances.	4.34	.680

5	Management has established procedures to prevent unauthorized access to, or destruction of, documents, records (including computer programs and data files), and assets.	4.39	.612
6	There is adequate segregation duties in the finance and accounting departments	4.36	.906
7	There is proper review of every employee's work by the others.	4.11	.915
8	There are any periodical reconciliation such as physical inventory balance and balance as per inventory ledger, receivable/payable control accounts and individual balances.	4.45	.732
9	PROIGlobal aging analysis for inventory, receivables and payables.	4.37	.840
10	Corrective action is taken to address weakness	4.32	.842
11	There is rotation of jobs and departments at regular interval	4.09	.935
Overall Mean		4.33	

Source: SPSS Outputs, 2023

In the analysis of understanding of control activities, Table (4.6) showed that the overall mean score is 4.33, indicating that control activities are relatively important to strong internal control system. Control activities such as physical inventory count, setting up control accounts and regular reconciliations with individual ledgers are the highest mean score 4.45. Regarding Table (4.6), both setting up controls and competent staffs in IT department are same mean score 4.39. On the other hand, the lowest mean scores 4.09 is found that job rotation does not affect too much on control activities.

4.4.4 Information & Communication

In this analysis, information and communication can be analyzed by training/orientation to employees, direct reporting line among BOD, internal audit and employees and availability of whistleblower hotline for external stakeholders. The mean score of each element is described in Table (4.7).

Table (4.7) Information & Communication

No.	Items	Mean	Std. Deviation
1	There is training/orientation for new employees, or employees when starting a new position, to discuss the nature and scope of their duties and responsibilities? Does such training/ orientation include a discussion of specific internal controls they are responsible for	4.31	.933
2	Members of the board of directors have direct access to employees without interference from management.	4.22	.963
3	Internal audit has a direct line of communication to the BOD	4.34	.728
4	There is a process for tracking communications from customers, vendors, regulators, and other external parties and sharing it internally	4.03	.798
5	PRO1 Global has separate communication channels outside of the normal operations available to customers, suppliers and outsourced service providers to allow them to communicate directly with management and other personnel (such as a whistleblower hotline)	4.05	.754
Overall Mean		4.19	

Source: SPSS Outputs, 2023

In the analysis of information and communication section, Table (4.7) reported that the overall mean score is 4.19, indicated that there has been taken good information and communication channels. The highest score 4.34 means that internal control is independent and have right to communicate BOD directly. In contrast, there are poor mean value for sharing information about external parties within the company and separate communication channels for external stakeholders (mean value 4.03 and 4.05 respectively) .

4.4.5 Monitoring

In this section, monitoring is analyzed by ongoing evaluation, periodic assessment and review of IT system and internal audit findings and further monitoring process based on current weakness of internal control. The mean score of each element shown in Table (4.8).

Table (4.8) Monitoring

No.	Items	Mean	Std. Deviation
1	There are independent processes, checks and evaluations of control activities on an ongoing basis.	4.34	.655
2	Management is closely monitoring the implementation of internal control systems	4.39	.665
3	The results of monitoring activities are considered over time to determine the basis for future monitoring activities	4.38	.734
4	The organization's monitoring activities consider services performed by outsourced service providers	3.80	.936
5	Periodic assessments of the security of the IT environment are performed	4.16	.767
6	Internal audit report and letter of weakness are reported to management on a timely basis.	4.40	.666
Overall Mean		4.25	

Source: SPSS Outputs, 2023

In the analysis of understanding of monitoring, it says that the overall mean value of monitoring is 4.25, indicated that there have good monitoring activities. The highest mean score is 4.40, indicated that internal audit department issue letter of weakness in timely manner and management closely work with internal audit department and take appropriate actions. (its mean value is 4.39 that is the second highest). Monitoring activities of outsourced service provide is the lowest mean value 3.80.

Overall mean value of internal control system is shown in Table (4.9)

Table(4.9) Overall mean value of internal control system

No.	Particular	Mean
1	Control Environment	4.5361
2	Risk Assessment	4.1715
3	Control Activities	4.3258
4	Information & Communication	4.1900
5	Monitoring	4.2444

Source: SPSS Outputs 2023

4.4.6 Operational Performance

Operational performance is analyzed by rate of inventory damage and loss, bad debt written off, efficiency and effectiveness of the operation, accountability of the company and timeliness of the information. The mean score of each element shown in Table (4.10).

Table (4.10) Operational Performance

No.	Items	Mean	Std. Deviation
1	Internal control systems reduce inventory loss and damage	4.53	.661
2	Control activities such as reconciliation make accuracy of data recording.	4.53	.593
3	Due to timely information and communication, bad debt written off is decrease.	4.48	.635
4	The company is now in a better position to serve clients more efficiently and effectively	4.44	.632
5	Strong Control environment makes the performance of the company's more efficient and effective.	4.59	.572
6	Due to continuous risk assessments, risks can be detected early and do preventative measure in advance.	4.48	.579
7	Internal control system has affected the company's accountability	4.58	.544
Overall Mean		4.52	

Source: SPSS Outputs, 2023

In the analysis of operational performance, Table (4.10) reported that overall mean value is 4.52 and the highest mean value is 4.59. This highest value indicates that the stronger control environment, more effective and efficient performance occurs. In addition to strong control environment, internal control effect on accountability of the business and indicates mean value 4.58 that is second highest mean value. The lowest mean value 4.44 is found in company's current position to serve the clients.

4.5 Analysis on Effect of Internal Control System on Operational Performance

Table (4.11) shows the value of correlation coefficient and P-Value that could be seen how correlated between components of internal control and operational performance.

Table (4.11) Correlation between Independent Factors and Operational Performance

No.	Particular	Correlation Coefficient	P-Value
1	Control Environment	.491**	.000
2	Risk Assessment	.573**	.000
3	Control Activities	.700**	.000
4	Information & Communication	.472**	.000
5	Monitoring	.708**	.000
** Correlation is significant at the 0.01 level (2 tailed)			
Dependent Variable: Operational Performance			

Source: SPSS Output,2023

According to the results of Table (4.11), the correlation coefficients between various independent variables such as control environment, risk assessment, control activity, information and communication, and monitoring, and the dependent variable of operational performance. The correlation coefficient for monitoring is 0.708, which shows a strong and direct correlation between monitoring and operational performance, with significance at the 1% level. Meanwhile, the correlation coefficients for control environment, risk assessment, and information and communication are between 0.47 and 0.57, indicating a fair and direct relationship between these three variables and operational performance.

To analyze the internal control factor effect on operational performance, the multiple regression analysis is concluded, and the results are shown in Table (4.12).

Table (4.12) Effect of Influencing Factors on Operational Performance

Dependent Variable: Job Satisfaction	Unstandardized Coefficients		Standardized Coefficients	t	Sig	VIF
	B	SE	Beta			
(Constant)	1.354	.304		4.457	.000	
Control Environment	.080	.098	.077	.819	.415	2.421
Risk Assessment	.009	.094	.009	.095	.925	2.683
Control Activities	.332***	.082	.387	4.052	.000	2.525
Information & Commitment	.041	.059	.061	0.706	.482	2.093
Monitoring	.353***	.077	.427	4.570	.000	2.408
R ²	0.587					
Adjusted R ²	0.569					
F statistics	32.427***					
Statistically significant indicate ***at 1%, ** at 5%, * at 10% level respectively						

Source: SPSS Output,2023

From the findings of Table (4.12), variance inflation factor (VIF) of all internal control factors indicated not more than 10 and it point out that all independent variables had not influenced each other since there is not collinearity and is acceptable among all independent variables if VIF value is less than 10.

In this study after analyzing a linear regression model, it needs to determine how

good the model fits the data. According to the result R², value of 0.587 explains that 59% of the total variance in operational performance of effective by control environment, risk assessment, control activities, information and communication and monitoring. According to ANOVA result, this model is appropriate due to significant value is 0.000 and F value is 32.427. Moreover, Table (4.11) also reports the standardized beta coefficient indicates the correlation between dependent and independent variable. The positive standardized coefficient (beta) means that an increase in variable of internal control factor leads to higher operational performance, and vice versa. The regression coefficient of monitoring is 0.427 level and control activities 0.387 at 1% significant. Based on the regression analysis, it can be calculated that monitoring is the most influencing factor on operational performance. And control activities are the second influencing factor and remaining components of internal control system have positive influence in operational performance.

CHAPTER V

CONCLUSION

Based on the results of the data analysis, this last chapter is dedicated to make the conclusion on the results of this study. In this chapter the finding from the study of internal control system and operational performance at PRO1 Global Co., Ltd is presented. In the first part the result on the study of internal control system and operational performance at PRO1 Global Co., Ltd is discussed. After that, suggestion and recommendations are presented. And then contribution of the study and recommendation of the study are presented.

5.1 Finding and Discussions

PRO1 Global Home Center is the pioneer one-stop supermarket for building materials and home applicants in Yangon. As their business grows, they have opened new branches annually to meet customer demand. To ensure operational efficiency as the organization expands, PRO1 Global Home Center has developed an internal control system that enables them to manage operations more effectively and efficiently. This study focuses on how this internal control system impacts performance at PRO1 Global Home Center in Yangon, thereby providing insight into how such systems can help organizations grow while maintaining a high level of quality service delivery. The objectives of the study are to identify the importance of the internal controls and normal practices of PRO1 Global Home Center in Yangon and to analyze the effect of internal control system on performance of PRO1 Global Home Center in Yangon.

According to the data analyzed from Socio-Demographic characteristics, majority of respondents are females and aged between 31 to 40 years old. The result revealed that middle aged women are actively involved in management of the company. As education level, most respondents are graduated person. Therefore, they are well educated and understand the questions and answered properly.

This study was obtained to explain the correlation among control environment, risk assessment, control activities, information and communication, monitoring and operational performance. According to correlation coefficient result, all variables are positively correlated to operational performance.

Based on the overall mean value, control environment has high perception and major factor on operational performance. Control environment has significant and positively effect on operational performance. It means that good control environment will leads to higher operational performance. Control environment is heavily influenced by existence and independence of internal control departments and compliance level of the business.

Regarding to risk assessment, most respondents have high perception and agree that risk assessment is one of the factors that can affect the operational performance of the business. The results of the study indicate that risk assessment is positive correlated to operational performance. Risk assessment is no significant effect on operational performance .The risk assessment is influenced by consideration of operational and financial risks such as inventory loss and damage, insolvency of debtors and exchange rate fluctuation.

According to correlation and coefficient results, control activities are strongly correlated, positively and significantly dominant on operational performance Moreover, control activities is the highest overall mean score. Staffs have perception that the establishment and implementation of control activities will help efficient running of the operation. Control activities is positively and significant effect on operational performance. Setting up controls include manual and automated control, preventative and detective control at different level of the organization. On the other hand, control activities alone cannot improve the operational performance. Staffs' competency, review procedures and segregation of duties also have high perception.

Regarding analysis of information and communication system, the results of the study appear that it has high perception but correlation between operational performance and information and communication is not significant effect on operational performance. There are established protocols for reporting to both internal and external parties involved. Additionally, the Board of Directors has direct communication with the internal audit team. Then again, it appears that employees are seeking more training and orientation opportunities.

Addition to control activities, monitoring shows good score of overall mean value, positive influence and strong correlated to operational performance. In order to improve the reports submission process and ensure that significant failings or weaknesses are reported

to management in a timely manner, it is essential for senior management to implement ongoing processes within the company's overall business operations. This will help create a culture of transparency where any potential issues can be identified early on before they become more serious problems which could have wider implications for both employees and customers alike.

In term of both standardized beta coefficient and p-value, control activities and monitoring are strongly correlated and significant positive influence on operational performance. According to multiple regression analysis, the effects of influencing factors on operational performance are examined. It appears that control activities and monitoring were significantly and positively influenced to operational performance. However, this study did not find any significance relation between control environment, information and communication, risk assessment and operational performance.

5.2 Suggestion and Recommendations

Based on findings of the study, independent variables including control activities and monitoring have significant influence on operational performance. However, control environment, risk assessment, information and communication do not significantly influence on operational performance.

Although, internal control systems are well established, PRO1 Global need to have long had strong internal control systems in place to protect their assets and minimize risk. As operating environments evolve at an ever-increasing speed, management must continually monitor and evaluate the effectiveness of those controls to ensure that they remain effective.

Having a robust internal control system isn't enough on its own; it needs to be embedded into the culture of PRO1 Global so that every employee can play their part in protecting company assets from potential threats or losses due to fraud or other malicious activities. Embedding risk culture into operation is kind of creating control environment as well. To do this successfully requires not only well-defined policies but also highly motivated employees who are aware of how best to utilize those policies for maximum benefit – something which cannot be achieved without providing them with more training on both internal controls procedures as well as incentives. Ultimately these initiatives will help boost morale while encouraging continued dedication towards ensuring any risks are

identified quickly and dealt appropriately according to established protocols already set out within existing frameworks internally put together by experienced professionals dedicated solely towards keeping up standards expected throughout each level across all divisions involved here at PRO1 Global.

As businesses continue to expand and become more complex, it is essential for management to focus on risk assessment. Risk assessment helps identify potential risks that could lead to financial losses or other adverse consequences for the company. To ensure a comprehensive understanding of risk assessment, management should provide employees with training in the form of workshops and seminars. These sessions will help sharpen their knowledge and skills when it comes to implementing proper internal controls as well as assessing threats posed by external sources such as competitors or suppliers.

In addition, company should have detailed enforcements in place regarding frauds, breaching ethical disciplines rules and regulations which can be included within staff manuals to facilitate everyone is aware of what's expected from them when dealing with sensitive matters related to corporate governance issues. It would also be beneficial if communication channels are established internally where new notifications laws standards customer credit terms and inventory level can be shared quickly across all departments. This will help improve operational performance by reducing potential bad debts, possible penalties while improving transparency at PRO1 Global.

5.3 Needs for further Studies

The focus of this study was primarily on the effect of internal control system on the operational performance of PRO1 Global Home Center in Yangon. Time constraints limited the data collection from other branches outside of Yangon. Further research should encompass all branches of PRO1 Global Co., Ltd. to gain a more comprehensive understanding. Additionally, there were some limitations in participant involvement, as the majority of participants were from the supervisory and middle management levels, which may limit their broader perspective. As a result, it is suggested that data be gathered from a wider range of departments and top-level management in future studies.

Moreover, it is recommended to conduct additional studies to explore any other potential factors, such as human, organizational, and technological factors, that may affect

the organization's operational performance. These further studies will offer valuable insight into areas that need improvement and ultimately contribute to enhancing the overall efficiency of the organization.

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Questionnaires

Dear Respondents,

I am a student at Yangon University of Economics pursuing a Master's degree in Banking and Finance. In fulfillment of the requirement for the degree I am required to conduct the research in regards to my topic of interest. My thesis title is "**Effect of Internal Control On Operational Performance of PRO1 Global Home Center in Yangon**". Therefore, I kindly request you to take your time to complete this questionnaire. The questionnaire has been developed only for academic purposes and your responses will be treated confidentially and is sought exclusively for the completion of an EMBF research project

Section A

Demographic Profile of Respondents

1. Age

- Between 21 - 30 years old
- Between 31 - 40 years old
- Between 41 -50 years old
- 51 years old and above

2. Gender

- Male
- Female

3. Education: What is the highest degree you have completed?

- High School [Matriculation]
- Bachelor's Degree
- Master's Degree
- Doctorate Degree

4. Length of Service at PRO1 Global

- Less than one year
- One to three years
- Three to five years
- Five years and above

5. Position

- Senior Management
- Head of Department
- Manager
- Supervisor
- Operational Staff

Section B

Please indicate how much you agree or disagree with each of the following statements regarding life insurance policies.

1 = Strongly disagree

2 = Disagree

3 = Neither disagree nor agree

4 = Agree

5 = Strongly agree

I. Control Environment

Sr.No.	Particular	1	2	3	4	5
1	PRO1 Global has an internal audit department.					
2	If there are frauds and error, enforcements are followed					
3	Staffs from internal audit department have competence and relevant experience.					
4	PRO1 Global has clearly written job roles and responsibilities					
5	PRO1 Global highly comply with relevant laws and regulations					
6	Internal audit department is independent and direct reporting line to BOD					
7	Management follows ethical guidelines in dealing with employees, suppliers, customers, investors, creditors, insurers, competitors, regulators and auditors.					
8	Management set realistic (i.e., not unduly aggressive) financial targets and expectations for operating personnel.					
9	The board of directors and management act to remove or reduce incentives or temptations that might prompt personnel to engage in dishonest, illegal or unethical acts?					

II. Risk Assessment

Sr.No.	Particular	1	2	3	4	5
1	PRO1 Global identifies risks that affect the achievement of objectives in a timely manner.					
2	All employees are well trained on risk assessment					
3	The organization involves the appropriate levels of management with the necessary expertise to identify risks to achieving its financial reporting objectives, and to perform the related assessment of the risks					
4	Management's risk assessment process considers the likelihood and magnitude of occurrence of an identified risk					
5	The risk assessment revisited on an appropriate interval.					
6	Organization's risk assessment process includes an evaluation of incentives and pressures, opportunities, attitudes and rationalizations to commit fraud					
7	PRO1 Global considers the risk on inventory lead time					
8	Company considers the risk of provisional doubtful debt					
9	PRO1 Global consider the risk of stock loss such as damage, obsolesce etc.					
10	Organization considers the risk of insolvency to the suppliers' payment.					
11	PRO1 Global considers the risk of exchange rate fluctuation.					
12	the risk identification comprehensive and it includes all significant interactions internal to an entity and between the entity and is relevant business partners and outsourced service providers.					

III. Control Activities

Sr.No.	Particular	1	2	3	4	5
1	The controls include a range and variety of controls, including manual and automated, preventive and detective.					
2	IT personnel prohibited from having incompatible responsibilities or duties in user departments.					
3	Controls exist at various levels within the organization from transaction level controls to entity-level management review controls.					
4	Management reviews key performance indicators (e.g., budget, profit, financial goals, operating goals) regularly (e.g., monthly, quarterly) and identify significant variances.					
5	Management has established procedures to prevent unauthorized access to, or destruction of, documents, records (including computer programs and data files), and assets.					
6	There is adequate segregation duties in the finance and accounting departments					
7	There is proper review of every employee's work by the others.					
8	There are any periodical reconciliation such as physical inventory balance and balance as per inventory ledger, receivable/payable control accounts and individual balances.					
9	PRO1 Global aging analysis for inventory, receivables and payables.					
10	Corrective action is taken to address weakness					
11	There is rotation of jobs and departments at regular interval					

IV. Information & Communication

Sr.No.	Particular	1	2	3	4	5
1	There is training/orientation for new employees, or employees when starting a new position, to discuss the nature and scope of their duties and responsibilities? Does such training/ orientation include a discussion of specific internal controls they are responsible for.					
2	Members of the board of directors have direct access to employees without interference from management.					
3	Internal audit has a direct line of communication to the BOD?					
4	There is a process for tracking communications from customers, vendors, regulators, and other external parties and sharing it internally.					
5	PRO1 Global has separate communication channels outside of the normal operations available to customers, suppliers and outsourced service providers to allow them to communicate directly with management and other personnel (such as a whistleblower hotline).					

V. Monitoring

Sr.No.	Particular	1	2	3	4	5
1	There are independent processes, checks and evaluations of control activities on an ongoing basis.					
2	Management is closely monitoring the implementation of internal control systems					
3	The results of monitoring activities are considered over time to determine the basis for future monitoring activities?					
4	The organisation's monitoring activities consider services performed by outsourced service providers?					
5	Periodic assessments of the security of the IT environment are performed?					
6	Internal audit report and letter of weakness are reported to management on a timely basis.					

VI. Operational Performance

Sr.No.	Particular	1	2	3	4	5
1	Internal control systems reduce inventory loss and damage					
2	Control activities such as reconciliation make accuracy of data recording.					
3	Due to timely information and communication, bad debt written off is decrease.					
4	The company is now in a better position to serve clients more efficiently and effectively					
5	Strong Control environment make the performance of the company's more efficient and effective.					
6	Due to continuous risk assessments, risks can be detected early and do preventative measure in advance.					
7	Internal control system has affected the company's accountability					

Output

Descriptive

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CE1	120	4	5	4.97	.157
CE2	120	1	5	4.03	.916
CE3	120	1	5	4.57	.796
CE4	120	3	5	4.69	.562
CE5	120	3	5	4.73	.546
CE6	120	1	5	4.32	.900
CE7	120	3	5	4.59	.704
CE8	120	3	5	4.38	.723
CE9	120	3	5	4.53	.634
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
RA1	120	3	5	4.29	.666
RA2	120	1	5	3.88	.815
RA3	120	1	5	4.06	.873
RA4	120	3	5	4.07	.670
RA5	120	3	5	4.10	.679
RA6	120	3	5	4.26	.750
RA7	120	1	5	4.07	.905
RA8	120	2	5	4.27	.857
RA9	120	2	5	4.12	.822
RA10	120	1	5	4.26	.903
RA11	120	3	5	4.42	.631
RA12	120	3	5	4.27	.661
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CA1	120	3	5	4.41	.692
CA2	120	2	5	4.39	.702
CA3	120	3	5	4.35	.603
CA4	120	3	5	4.34	.680
CA5	120	3	5	4.39	.612
CA6	120	1	5	4.36	.906
CA7	120	1	5	4.11	.915
CA8	120	3	5	4.45	.732
CA9	120	2	5	4.37	.840
CA10	120	2	5	4.32	.842
CA11	120	1	5	4.09	.935
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IC1	120	1	5	4.31	.933
IC2	120	1	5	4.22	.963
IC3	120	2	5	4.34	.728
IC4	120	3	5	4.03	.798
IC5	120	3	5	4.05	.754
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
M1	120	3	5	4.34	.655
M2	120	3	5	4.39	.665
M3	120	2	5	4.38	.734
M4	120	1	5	3.80	.936
M5	120	2	5	4.16	.767
M6	120	3	5	4.40	.666
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
OP1	120	3	5	4.53	.661
OP2	120	3	5	4.53	.593
OP3	120	2	5	4.48	.635
OP4	120	3	5	4.44	.632
OP5	120	3	5	4.59	.572
OP6	120	3	5	4.48	.579
OP7	120	3	5	4.58	.544
Valid N (listwise)	120				

Frequencies

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30yrs	57	47.5	47.5	47.5
	31-40yrs	63	52.5	52.5	100.0
	Total	120	100.0	100.0	

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	39	32.5	32.5	32.5
	female	81	67.5	67.5	100.0
	Total	120	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Hight School	14	11.7	11.7	11.7
	graduate	103	85.8	85.8	97.5
	Master	3	2.5	2.5	100.0
	Total	120	100.0	100.0	

Positions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	super	60	50.0	50.0	50.0
	manager	43	35.8	35.8	85.8
	head	5	4.2	4.2	90.0
	Sr Mgt	12	10.0	10.0	100.0
	Total	120	100.0	100.0	

Regression Analysis

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.488	5	2.498	32.427	.000 ^b
	Residual	8.780	114	.077		
	Total	21.268	119			

a. Dependent Variable: OP

b. Predictors: (Constant), M, CE, IC, CA, RA

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.766 ^a	.587	.569	.27752	2.019

a. Predictors: (Constant), M, CE, IC, CA, RA

b. Dependent Variable: OP

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.354	.304		4.457	.000		
	CE	.080	.098	.077	.819	.415	.413	2.421
	RA	.009	.094	.009	.095	.925	.373	2.683
	CA	.332	.082	.387	4.052	.000	.396	2.525
	IC	.041	.059	.061	.706	.482	.478	2.093
	M	.353	.077	.427	4.570	.000	.415	2.408

a. Dependent Variable: OP

Correlations

		Correlations					
		CE	RA	CA	IC	M	OP
CE	Pearson Correlation	1	.682**	.599**	.652**	.505**	.491**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	120	120	120	120	120	120
RA	Pearson Correlation	.682**	1	.666**	.549**	.674**	.573**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	120	120	120	120	120	120
CA	Pearson Correlation	.599**	.666**	1	.610**	.698**	.700**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	120	120	120	120	120	120
IC	Pearson Correlation	.652**	.549**	.610**	1	.566**	.472**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	120	120	120	120	120	120
M	Pearson Correlation	.505**	.674**	.698**	.566**	1	.708**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	120	120	120	120	120	120
OP	Pearson Correlation	.491**	.573**	.700**	.472**	.708**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	120	120	120	120	120	120

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

Reliability

Reliability Statistics

Cronbach's Alpha	N of Items
.758	9

Reliability Statistics

Cronbach's Alpha	N of Items
.811	12

Reliability Statistics

Cronbach's Alpha	N of Items
.851	11

Reliability Statistics

Cronbach's Alpha	N of Items
.801	5

Reliability Statistics

Cronbach's Alpha	N of Items
.742	6

Reliability Statistics

Cronbach's Alpha	N of Items
.827	7

Validity

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.749
Bartlett's Test of Sphericity	Approx. Chi-Square	578.996
	df	36
	Sig.	.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.709
Bartlett's Test of Sphericity	Approx. Chi-Square	628.764
	df	66
	Sig.	.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.744
Bartlett's Test of Sphericity	Approx. Chi-Square	746.224
	df	55
	Sig.	.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.698
Bartlett's Test of Sphericity	Approx. Chi-Square	233.801
	df	10
	Sig.	.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.758
Bartlett's Test of Sphericity	Approx. Chi-Square	339.906
	df	15
	Sig.	.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.792
Bartlett's Test of Sphericity	Approx. Chi-Square	318.883
	df	21
	Sig.	.000

Summary Table

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CE	120	3.44	5.00	4.5361	.40529
RA	120	3.33	5.00	4.1715	.44232
CA	120	3.09	5.00	4.3258	.49311
IC	120	2.40	5.00	4.1900	.62704
M	120	3.00	5.00	4.2444	.51037
OP	120	3.71	5.00	4.5179	.42275
Valid N (listwise)	120				