

**YANGON UNIVERSITY OF ECONOMICS  
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**EFFECT OF INTERNAL CONTROL PRACTICES ON  
ORGANIZATION PERFORMANCE OF THE UNITED  
NATIONS OFFICE FOR PROJECT SERVICES IN  
MYANMAR**

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**EFFECT OF INTERNAL CONTROL PRACTICES ON  
ORGANIZATION PERFORMANCE OF THE UNITED NATIONS  
OFFICE FOR PROJECT SERVICES IN MYANMAR**

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Executive Master of Banking and Finance (EMBF)

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## **ABSTRACT**

This study aims to identify the current internal control practices of the Unities Notions Office for Protect Survices and to analyze the effect of internal control practices on organization performance of the Unities Notions Office for Protect Survices. This study considers six factors on organization performance. Descriptive and quantitative research methods are used. Primary data and secondary are used. Multiple regression is applied to analyze data. The study found that among six factors fraud audits, separation of duties, procurement cantols and payroll cantols have a significant influence on organization performance except management cantols and asset cantols. Procurement cantols is the most influencing factor on customer satisfaction which is followed by payroll cantols, fraud audit and separation of duties. As the result of findings, directors can motivate employees by fully educating them on how internal control procedures work, and providing incentive packages that encourage them to always do the best. The UNOPS should strive to increase most of these reasons relate to the organization's ultimate goal of continuing as a going concern.

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## LIST OF ABBREVIATIONS

COSO	Committee of Sponsoring Organizations
GAAP	Generally Accepted Accounting Principles
HR	Human Resource
IAIG	Internal Audit and Investigations Group
ICF	International Classification of Functioning
ILOC	Internal Locus of Control
LIFT	Livelihoods and Food Security Fund
NGOs	Non-Governmental-Organizations
OFAC	Office of Foreign Assets Control
PCG	People and Change Group
RAI3E	Regional Artemisinin Initiative 3 Elimination
SOPs	Standard Operating Procedures
SPSS	Statistical Package for Social Sciences
UN	United Nations
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
VIF	Variance Inflation Factors

# CHAPTER 1

## INTRODUCTION

Internal control is of utmost importance for organizations to operate efficiently, effectively, and in alignment with the objectives. Internal control helps ensure that the organization's goals and objectives are clearly defined and communicated across all levels. By monitoring progress and making adjustments as needed, internal control increases the likelihood of achieving these objectives. Internal control has been conducted in for-profit businesses, where internal control techniques were developed originally. Although the manner in which managers may apply the concepts may differ in some respects, the basic concepts of internal control practices are the same for both for-profit and nonprofit organizations (Anthony and Young, 1994). Unlike for-profit organizations, non-profit organizations are incorporated as nonstock associations and are owned by members or supporters of the organization. Several characteristics that are unique to nonprofit organizations affect the management control process. One of these unique features is the lack of stock ownership.

Furthermore, non-profit organizations are often managed by professionals who provide the services offered by the organization. Traditionally, the educational background of these professionals consists of little or no training in business management or accounting. Non-profit organizations are governed by a board of directors of sorts. All of these characteristics of nonprofit organizations indicate that an adequate system of internal control is vital for proper management of nonprofit organizations (Anthony and Young, 1994). According to the New York State Internal Control Task Force Report (2006) the fundamental principles of internal control are rooted in well-established organizational techniques and practices.

The basic components of internal control are control environment, information and communication, risk assessment, control activities, and monitoring. Internal controls are the set of rules, policies, and procedures implemented by an organization to reasonably ensure that financial reports are reliable, operations are effective and efficient and activities comply with applicable laws and regulations (Tunji, 2013 and Dhillon, 2001). Internal controls help organizations comply with laws and regulations and prevent employees from stealing assets or committing fraud. It also helps improve operational efficiency by improving the accuracy and timeliness of financial reporting.

Internal controls help reduce errors by defining protocols and procedures to reduce employee errors and improve where necessary. Organizations reduce lost revenue and enhance the reputation by effectively training the employees to avoid mistakes and misunderstandings.

Internal control practices are designed to prevent errors and irregularities, identify problems, and take corrective action. An effective system of internal control gives managers the means to provide accountability for the programs and to obtain reasonable assurance that the programs directly meet established goals and objectives. Performance on the other hand has been defined by Stevenson (2004) as the outcome of activities undertaken in an organization that lead to either positive or negative results. The aspect of internal control in an organization is a vital component in corporate governance of any organization. The fact that internal control systems are essential in enhancing direction as well as determining the achievement of goals and objectives according to the budget estimates, indicates that enhancing internal controls is paramount for any organization.

The United Nations Office for Project Services (UNOPS) is a United Nations agency dedicated to implementing infrastructure and procurement projects for the United Nations System, international financial institutions, governments and other partners around the world. The Operational Directive of UNOPS sets out the key components and principles for an effective framework for internal control. The effective International Classification of Functioning means that UNOPS can have reasonable assurance that it achieves its operational, reporting and compliance objectives. This study could point out how the effect of internal control practices in the United Nations Office for Project Services (UNOPS) of Myanmar office on organization performance of the United Nations Office for Project Services (UNOPS).

## **1.1 Rationale of the Study**

Effective Internal control is of paramount importance for the NGOs. It could serve many purposes such as reducing frauds and errors, and makes information available that can be used as a basis for making financial and administrative decisions. It assists management in policy formulation and in the operational control of the organization. It emphasizes the need for well-defined standard operating procedures (SOPs). In recent

years, funding constraints, calls for accountability, media exposure and the development of a contract culture have brought demands for increased performance measurement within the development sector. As a consequence, non-profit organizations are currently under pressure to undertake increased monitoring and evaluation and present measurable indicators of output, impact and capacity. Thus, in general, greater attention has been given to the management challenges non-profit organizations face with the main challenge being establishment of efficient and effective internal control mechanisms.

In most non-governmental organizations, the relationship between providers and users of information is not clearly defined. In most cases, managers are responsible for reporting to donors and governments on the offloading of allocated resources. The development and service-oriented nature of non-profit activities means that managers must report on the financial and non-financial aspects of the activities. Najam (1996) identifies three main groups to whom non-profit organizations are accountable: patrons (who provide non-profit organizations with goods and services), clients (to whom non-profit organizations provide goods or services), and non-profit organizations themselves (to employees). Control systems can meet demands for two principal types of accountability; short term functional accountability, (such as accounting for resources, resource use and immediate impacts); and strategic accountability (accounting for the impact of situations, social disorder, religious strife, and economic malaise may lead to mismanagement of resources in some developing countries.

Internal control practices consist of detailed procedures and records adopted by management and is primarily concerned with the reliability of financial records and reports and with safeguarding of assets. The United Nations Office for Project Services (UNOPS) has worked in Myanmar since 1996 contributing to the achievements of a range of partners, including bilateral donors, United Nations (UN) organizations and donor governments. The fund management, procurement and infrastructure services support initiatives to improve health, livelihoods, rural development and agriculture across the country. UNOPS manages some of the largest development funds in Myanmar, including the Livelihoods and Food Security Fund (LIFT), the Access to Health Fund and the Joint Peace Fund.

The team also manages the Nexus Response Mechanism and the Myanmar-SECO-UN Trade Cluster for Sustainable Horticulture and Tourism. The United

Notions Office for Protect Survices (UNOPS) is the principal recipient of the Global Fund to Combat AIDS, Tuberculosis and Malaria in Myanmar (Global Fund), Regional Artemisinin Resistance Initiative to Eliminate Malaria in the Greater Mekong Sub region (RAI3E) and End Migrant Tuberculosis. In addition, the team manages a diverse portfolio of small and medium-sized individual protects, in collaboration with other UN organizations, notional and international implementing partners, and bilateral and multilateral donors. This can be viewed as mutually reinforcing in reasonably ensuring that the Unities Notions Office for Protect Survices (UNOPS) achieves its operational, reporting and compliance objectives.

According to the UNOPS Strategic Plan 2022-2025, UNOPS committed to supporting the building of a sustainable, resilient and inclusive future. UNOPS has a comparative advantage for implementation in the UN system, with technical expertise in infrastructure, procurement and protect management. The Strategic Plan of UNOPS is rather general in nature, which means that the regions may structure and develop their own activities that might not align with the broader strategy. In practice, this means that the regions can rather freely decide how the regional portfolio is structured, based on the types of protects they want to deliver or what the partners are requesting.

Some UNOPS personnel consider it would be useful for the whole organization to have a corporate strategy in which the focus areas are defined more closely together by HQ and the regions for each strategy period per year. These annual strategy roadmaps should be drawn from the longer organizational strategy. With this focus, UNOPS would be balancing real-world demand and strategic decisions, inevitably leaving some survive requests deprioritized. To this end, UNOPS is planning to identify relevant strategic areas where UNOPS personnel have gathered significant knowledge and capabilities and recognize the areas with the most demand from the partners' side. Therefore, this study focuses on the practice of the internal cantol system of the Unities Notions Office for Protect Survices (UNOPS) and its effects on the organization performance of the Unities Notions Office for Protect Survices (UNOPS).

## **1.2 Objective of the Study**

1. To identify the current internal control practices in the Unities Notions Office for Protect Services (UNOPS)
2. To analyze the effect of internal control practices on organization performance of the Unities Notions Office for Protect Services (UNOPS)

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

This study only focuses on the influencing factors on organization performance of Unities Notions Office for Protect Services.

Descriptive and quantitative research methods are applied. Both primary and secondary data are used. By applying Taro Yamane Formula (Yamane, 1973) for known population, 121 managerial level workers who are working as departmental head and operational supervisor respective departments at UNOPS Myanmar are selected as sample size. Structured questionnaire with 5-point Likert scale is applied to collect primary data. Survey questionnaire is used in order to collect data. Secondary data collected from textbooks, organization records and documents, journals, articles and research papers.

## **1.4 Organization of the Study**

This study consists of five chapters. Chapter 1 presents the introduction of the study including rationale of study, objectives of study, scope and method of study and organization of the study. Chapter 2 presents the theoretical background of the internal control practice, organization performance and the relationship between internal control practice and financial performance and conceptual framework for this thesis. In Chapter 3, profile and internal control practices of the Unities Notions Office for Protect Services (UNOPS) is described. Chapter 4 presents data presentation and data analysis on the impact of the internal control practice on the organization performance of the Unities Notions Office for Protect Services (UNOPS). Finally, Chapter 5 presents a summary of the study findings as well as conclusion, recommendations and suggestions for further study.

## CHAPTER 2

### THEORETICAL BACKGROUND

This chapter pointed out background theories, previous papers presenting about the internal control practices of which are management control, fraud audits, separation of duties, procurement controls, payroll controls and asset controls of internal control practices of United Nations Office for Project Services (UNOPS) and the effect of internal control practices on the organization performance of United Nations Office for Project Services (UNOPS). Moreover, empirical studies and conceptual framework for this study have been explored through extensive review of books, articles, previous research papers, journals and web pages.

#### 2.1 Internal Controls

The definition of internal control was first presented by the American Institute of Certified Accountants in 1949 (AICPA, 2014). It is internal as a plan and other coordinated methods and means to protect organization assets, verify the confidentiality and reliability of data, enhance the effectiveness, and ensure established control policies. presented control. Good internal controls help employees perform the jobs in accordance with organization policies and procedures. The strengths of internal controls include simplicity, broad acceptability, and effectiveness in ensuring that an organization achieves its objectives. Internal control means different things to different people (The Committee of Sponsoring Organizations of the Tread Way Commission (COSO 1994). As such, internal control is defined by many definitions because it affects many aspects of an organization in different ways and causes confusion among business owners, regulators, and other stakeholders.

According to the Committee of Sponsoring Organizations(COSO), internal controls are the processes an organization's board of directors, management, and other employees implement to reasonably ensure the achievement of the following categories of objectives: Reliability of financial reporting, compliance with applicable laws and regulations, effectiveness and efficiency of operations, etc. According to the definition of an internal control practice, the primary purpose of internal control is to ensure that the organization's resources are used efficiently. Efficient and effective use to achieve the



purposes for which the organization was founded. In the internal control literature, it is generally recognized that there are three main objectives that an organization should pursue in order to design an effective internal control practice: Reliability of financial reporting, efficiency and effectiveness of operations, and compliance with laws and regulations (COSO, 1992).

Reliable financial reporting means producing reliable public financial statements which contain interim and summary financial statements and selected financial information derived from such financial statements. Reliability refers to the quality of information, that is, the degree to which information is reasonably error-free. Such assurance is related to establishing an effective internal control practice. Performance and profitability goals, as well as resource conservation, are the most important goals that must be achieved through effective and efficient action. This means that manipulations are performed to achieve the intended effect. Such goals can be evaluated through semi-annual or quarterly performance reviews. Legal Compliance deals with the laws that a organization must follow. Companies must be aware of all applicable laws and regulations, including Generally Accepted Accounting Principles (GAAP), Corporate Governance Regulations, and other specific regulations. Therefore, internal control practice must be designed to meet the requirements of applicable laws (Bushman, 2007).

As stated in COSO's Internal Controls Framework- Integration Framework, the control environment sets the mood of an organization and influences employee perceptions of control. The control environment includes the ethical values of employees, management philosophy and operating style, assignment of authority, responsibility, and the leadership and direction of the board of directors (COSO, 1992). An effective control environment is one in which competent individuals understand the limits of the responsibilities and authority, are knowledgeable, observant, and committed to doing the right thing and the right way. The control environment includes technical competence and ethical commitment. It is an essential intangible element of effective internal control (Sampson, 1999). However, building a strong awareness of control mechanisms throughout the corporate culture, not just at the top management level, is one way to ensure an effective control environment within an organization (Sampson, 1999). Risk assessment is an important task for organizations of all sizes because every organization faces a variety of risks from external and internal sources that need to be

evaluated.

A requirement for a sound risk assessment is the identification of clear objectives. Operations of the enterprise can be put in danger and its objectives remain unattained by uncantolled risk-taking. A risk assessment is considered effective when it helps determine what risks exist, what cantols are needed, and how they should be managed (Keitany, 2000). For operational, financial reporting, and compliance purposes, it is important that risk identification is comprehensive at the departmental level and at the activity or process level. A complete risk assessment includes assessing the likelihood of a risk occurring and estimating the quantitative and qualitative costs of potential risks, also includes risk management decisions (Keitany, 2000).

Cantol activities are policies and procedures that help ensure that management's instructions are carried out. Cantol activities occur throughout the organization, at all levels, in all functions, large and small. Depending on the purpose or intent of the desired type of cantol, a distinction should be made between preventive cantols and detective cantols. Preventive cantols aim to prevent adverse events from occurring. Such cantols make it clear that a specific loss has occurred. These types of management activities include reviews, analyses, variance analyses, reconciliations, physical inventories, and audits (Esmailjee 1983). To ensure unbiased information, recordkeeping is usually placed in a separate department of the chief accountant (Keitany, 2000). An effective system of internal cantol does not allow employees to work from the initiation of transactions to the final posting and preparation of financial statements. Systems in operation must provide proper approval or approval of all transactions by the right person with well-defined approval limits.

Authorization means that the management establishes policies for the organization to follow. Subordinates are instructed to implement these general authorizations by approving all transactions within the limits set by the policy (Keitany, 2000). Specific authorization has to do with individual transactions. Management is often used to establish a general policy of authorization for some transactions. Documents and records are the physical objects upon which transactions are entered and summarized. Including such diverse items as sales invoice, purchase orders, sales journals and employee time sheets. Both documents of original entry and records upon which transactions are entered are important but the inadequacy of documents normally causes greater cantol problems. Certain relevant principles dictate the proper design and

use of documents and records. Documents and records should be pre numbered serially so as to facilitate control over missing documents as well as easy retrieval when needed, prepared as soon as transactions take place, sufficiently simple to ensure that are clearly understood, designed for multiple uses whenever possible and constructed (Esmailjee, 1983).

Independent checks on performance involve careful and continuous review of the other control activities. The need for independent checks arises because an internal control structure tends to change over time unless there is a mechanism for frequent review. The basic essentials of a good system may all be present but unless internal controls receive attention, 'short cut' appear causing some procedures to be unnecessary and others inadequate. The use of an internal auditor, a person trained in accounting systems and auditing is an approach adopted in maintaining and improving internal control practice. Conceptually the internal auditor should report to the highest office in the organization. This could be a committee of the board of directors (Keitany, 2000).

Effective internal control practices require that relevant information be identified, recorded and communicated in a format and time frame that enables employees to carry out the responsibilities. Reports are generated by information systems. Therefore, the operational, financial, and compliance-related information contained in such reports allows to effectively manage the business. Effective communication is the cornerstone of effective internal control. Employees are expected to engage in internal control activities if informed of what is expected of them and how the specific duties fit into the big picture. Management is therefore carried out using information technology and effective communication systems standardized (Esmailjee, 1983).

The quality of internal controls assessed over time through monitoring mechanisms such as continuous monitoring and individual assessments. The purpose of such activities is to ensure that internal controls are properly designed and properly applied. Monitoring is the glue that links the five components of effective internal control. Monitoring activities are relevant to all aspects of these components. Ongoing monitoring activities include various management and monitoring activities that assess and improve the design, execution and effectiveness of internal controls. In contrast, individual assessments such as self-assessments and internal audits are periodic assessments of internal control components that lead to formal internal control reports

(Esmailjee, 1983).

## **2.2 Theoretical for Internal Cantol**

Theoretical review involves the review of the theories by elucidating the meaning of each theory, identifying the proponent of the theory, and identifying the relevance of the theory to the study. The study focuses on three theories namely: cantol theory, value theory, agency theory and positive accounting theory.

### **2.2.1 Cantol Theory**

Cantol theory and experience suggest that people who abuse cantol systems are more likely to act alone than to cooperate with others. According to Rotter (1966), internal locus of cantol (ILOC) and external cantol conceptualizes how individuals understand how the actions affect the events surrounding their lives. Internal locus of cantol (ILOC) tend to believe that events are the result of their own actions, whereas externally cantolled individuals tend to attribute events to external environmental factors such as powerful others or chance (Levenson, 1973). When the internal locus of cantol (ILOC) is used in the context of entrepreneurs operating in competitive environments, entrepreneurs with strong internal cantol are able to do things to the best of their ability. Getting started, the success or failure of an organization is the result of its own actions. In contrast, an entrepreneur with an external field of cantol may assume that the external environment is the primary reason for the organization's success or failure.

### **2.2.2 Agency Theory**

This theory provides an illustration of the link between managers, the board and the shareholders who are the owners of the entity. The specific roles of individuals clearly set out by this theory. The managers have the role of executing the activities in the entity while ensuring wealth of owners is maximized. The owners should ensure the firm is adequately funded while directors play an oversight role (Barlie & Means, 1932). However, managers may not necessarily engage in actions that meet the stated goals. At times, management of the entity could undertake actions that satisfy their own selfish

interests thus creating conflicting concerns with the owners.

The board comes in to check the activities of the management and ensure and is suited to meeting the goals of the owners (Coarse, 1937). The theory relevantly explores how best corporate governance through boards can counter conflicts of interest between managers and the owners of the firms. Agency theory may not only help to explain the existence of internal audit in organizations but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form.

### **2.2.3 Stewardship Theory**

Stewardship theory has its roots from psychology and sociology and is defined by Davis, Schoorman and Donaldson (1997) as “a steward protects and maximizes shareholders’ wealth through firm performance, because by doing so, the steward’s utility functions are maximized”. Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, integrating the goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. Argyris (1973) argues that while agency theory looks at an employee or people as an economic being, which suppresses an individual’s own aspirations, on the other hand Donaldson and Davis (1991) argue that stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust.

Indeed, Fama (1980) contend that executives and directors are also managing the careers in order to be seen as effective stewards of the organization, whilst, Shleifer, Andlei and Vishny (1997) claims that managers return finance to investors to establish a good reputation so that can re-enter the market for future finance. Meckling and Jensen (1994) further state the cost incurred to curb agency problems (reducing information asymmetries and accompanying moral hazards) is less when owners directly participate in the management of the firm as there is a natural alignment of

owner managers' interest with growth opportunities and risk.

It follows from the above that stewardship theory unlike agency theory is a complete contrast and does not emphasize on the need to incur monitoring or agency cost which includes establishing an internal audit function. Nevertheless, Donaldson and Davis (1991) further note that returns are improved by having both of these theories combined rather than separated which implies that management must strike a balance. In this study the steward theory is supported by the fact that managers of quoted companies act as stewards of shareholders, suppliers, creditors, consumers and employees of the quoted companies.

### **2.3 Internal Cantol Practices**

There are various determinants of internal cantol practices of Non-Profit Organizations. For the purposes of this study, the six variables: Frequency of Undertaking Fraud Audits, Management Cantol, Separation of Duties, Procurement Cantols, Payroll Cantols and Asset Cantols were analyzed and the effect of internal cantol practices on organization performance.

#### **2.3.1 Management Cantol**

Appropriate cantols must be implemented within the organization to deal with conflicts of interest arising from management responsibilities. Activities carried out by management should be analyzed objectively from a budget perspective. Budget procedures should therefore be used when evaluating actions taken by management (Amaratunga, 2001). Some events, such as technological advances, have impacted the way businesses operate. This has increased scrutiny on some aspects such as internal budgets. To remain competitive, companies need to keep costs as low as possible. Otherwise, the future viability of the organization may be jeopardized (Hansen & Mowen, 2005).

#### **2.3.2 Fraud Audits**

Auditing for fraud is an important step towards sustaining an entity. This is intended to ensure that the organization has used the available resources effectively and

judiciously (Atieno et al. 2015). Fraud audits can be conducted internally as well as externally and these should complement each other. Such audits make management nervous because fraudulent activities can easily be exposed and managers can lose their jobs.

### **2.3.3 Separation of Duties**

Separation of duties is essential for effective internal control as it reduces the risk of erroneous and inappropriate actions. All entities should strive to separate functional responsibilities to ensure that errors, whether intentional or unintentional, cannot go unnoticed. Combating internal collusion that can facilitate fraud is primarily done by separating employee tasks (Sarens & De Beelde, 2006). Barra (2010) argued that the presence of segregation of duties in a organization increases the costs of committing certain types of fraud. Mukhtardin et al. (2019) found that sound governance within a unit is characterized by some degree of segregation of duties.

### **2.3.4 Procurement Controls**

Procurement is a complex area involving many interrelated activities. Lim, M. (2014). The supply management process involves the transactional purchase of goods and services and integrates with Accounts Payable to provide supporting documentation to help process supplier bills payable, thereby shortening the procure-to-settlement cycle. Procurement management is also referred to as the source-to-settle process. It encompasses the evaluation, selection, and creation of formal contractual agreements as well as managing the organization's ongoing supplier relationships. The process of overseeing the performance of contracts, managing procurement relationships, making changes and amendments as necessary, and entering into contracts. This process continues throughout the project as needed.

### **2.3.5 Payroll Controls**

The principle purpose of any payroll department is to pay the organization's employees. Payroll is the process of paying an organization's employee. Payroll controls are the procedure companies follow to protect payroll information. Payroll controls and

procedures ensure that employees do not have access to confidential information. Internal controls also prevent employees from stealing money from the organization through overpayment or inaccurate time tracking. In large companies, internal payroll management involves assigning payroll tasks to departments and employees. That means someone is less likely to commit fraud. Placing internal controls for managing payroll lessens the risk of fraud by distributing and rotating the responsibilities as many employees can keep a check on the payroll. Budiani, Vinna. (2005).

### **2.3.6 Asset Controls**

The Office of Foreign Assets Control (OFAC) closely monitors potential infractions arising from inadequate internal compliance systems and staff negligence. However, it cannot be overemphasized that there are additional lists prepared by other government bodies (state and trade), foreign jurisdictions (UK, European Union, etc.) and international organizations (UN, central banks, etc.). Asset controls, also known as asset tracking, is the process by which companies and organizations track important information about the assets. This information can include the item's location, who used it, when it was reserved for future use, maintenance schedules, damage reports, usage reports, and more. These new solutions allow companies to remotely track assets in an automated system that makes running the business the priority, not desperately scrambling through outdated spreadsheets and documents to find an asset.

## **2.4 Organization Performance**

Organizational performance refers to the degree to which the organization, with some informational, financial, and human resources, positions itself effectively on the business market. Organization performance is the ability of an organization to achieve its goals and optimize results. In today's workforce, organization performance can be defined as an organization's ability to achieve goals in a state of constant change. Performance measurement deals with measuring how well a organization is managed in relation to set goals and generating value for the organization's stakeholders.

Rolstadas (1998) believes that the performance of an organizational system is a complex relationship involving seven performance criteria that must be followed: effectiveness, efficiency, quality, productivity, quality of work, innovation and



profitability. Performance is closely related to the achievement of the criteria listed above, which can be regarded as performance objectives.

The Unities Notions Office for Protect Survices (UNOPS) has two types of revenue: agent and principal delivery revenue. The agent revenue refers to protects in which UNOPS delivers survices on behalf of its partners and the partner retains the significant risk of ownership. The principal revenue refers to protects where UNOPS delivers survices and retains the significant risk of ownership. In UNOPS' official financial statements, the statement of financial performance includes only the principal delivery and the management fee of the agent delivery. This is according to the Internotional Public Sector Accounting Standards (IPSAS) that UNOPS adopted in 2012.

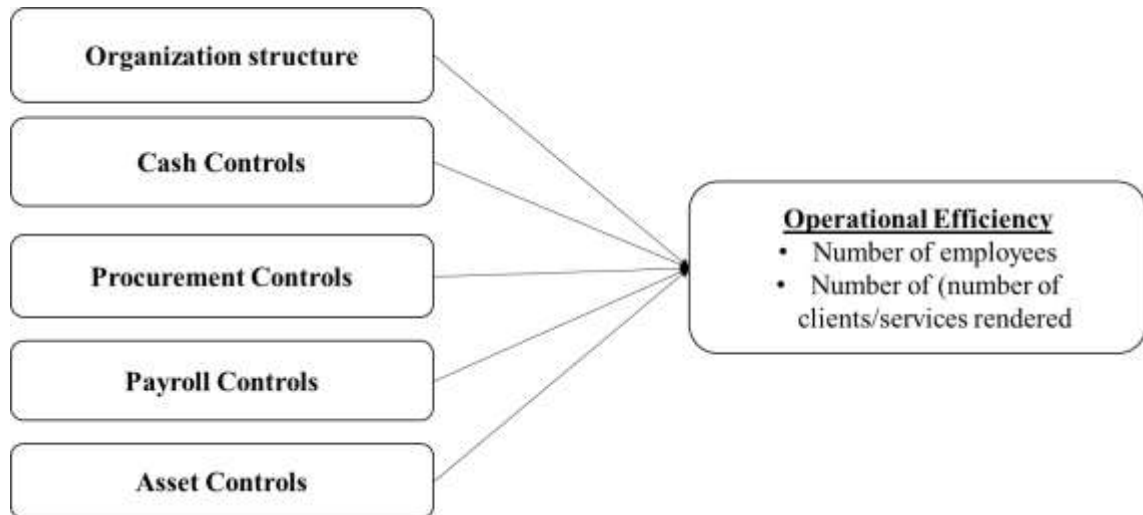
## **2.5 Previous Studies**

This part of the study is based on previous studies that have been done before in relation to internal cantol practices and the effects of internal cantol practices of NGOs. These studies also indicate that there are many determinants of internal cantol practices to measure and organization performance measurement to apply.

### **2.5.1 The Impact of Internal Cantols on Operational Efficiency among Non-Governmental-Organizations in Nairobi**

This study refers to the research of Michino (2011) which was a research on impact of internal cantols on operational efficiency among non-governmental-organizations in Nairobi. A sample of 50 NGOs were selected and interviewed as the basis for this protect. Information was collected using questionnaires with both open-ended and closed-ended questions. The questionnaire used the 3-point Likert scale of yes, no, and don't know. Collected data were entered into a social science statistical package for analysis. The conceptual framework of the researcher is shown in Figure (2.1).

**Figure (2.1) Conceptual Framework of the Impact of Internal Controls on Operational Efficiency among Non-Governmental-Organizations in Nairobi**



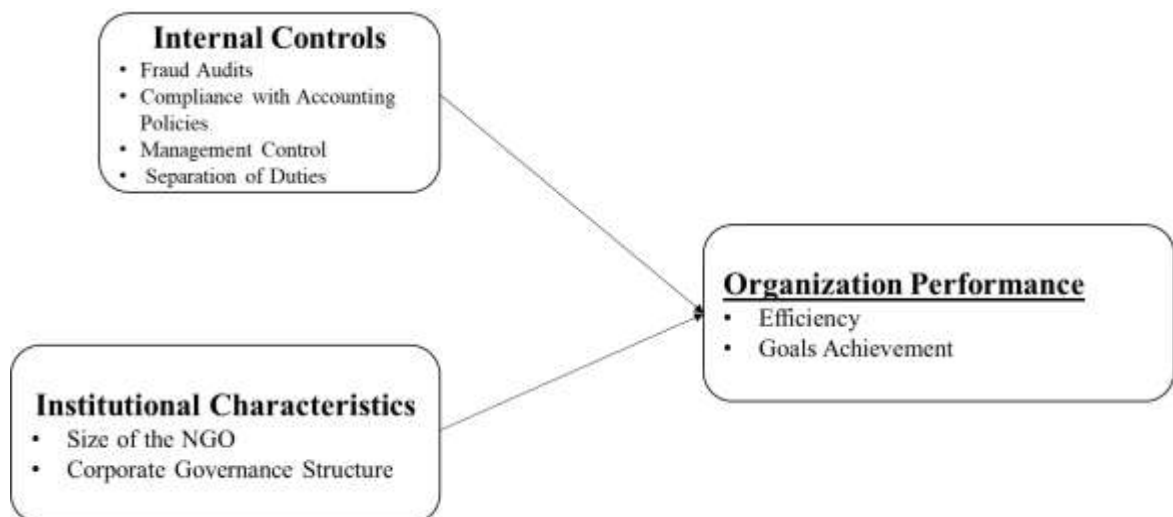
Source: Michino (2011)

Analysis showed that the internal controls of Nairobi-based NGOs were determined primarily by the organizational structure. Top management determines how funds received from donors and other funders are distributed and distributed to beneficiaries. Cash management ranks as his second internal control factor influencing NGO operational efficiency. NGOs with good financial management were able to attract many sources of funding for the activities and had to use the resources at their disposal wisely. Ensured by enacting appropriate policies and procedures to guide the operations. NGOs with well-organized organizational structures had well-structured policies and procedures for carrying out the activities. Higher operational efficiency is registered with large, well-known NGOs and leads to control of internal controls at funding partners. Results show five factors including organizational structure, payroll controls, procurement controls, cash controls, and asset controls affect operational efficiency as represented by coefficients of determination.

## 2.5.2 Effects of Internal Cantols on Performance of Non-Governmental Organizations in Nairobi City Country, Kenya

Adan (2021) conducted the effects of internal cantols on performance of Non-Governmental Organizations in Nairobi city country, Kenya. This study examined the interplay between internal cantols and performance. The design adopted was descriptive and targeted 1,882 NGOs. Of these, 330 were sampled and covered. Information was sought from direct sources and processing was descriptive and speculative. Relevant diagnostic tests covering normality, multiple covariance were performed and appropriately interpreted before performing regression analysis. The conceptual framework can be seen in Figure (2.2).

**Figure (2.2) Conceptual Framework of Effects of Internal Cantols on Performance of Non-Governmental Organizations in Nairobi City Country, Kenya**



Source: Adan (2021)

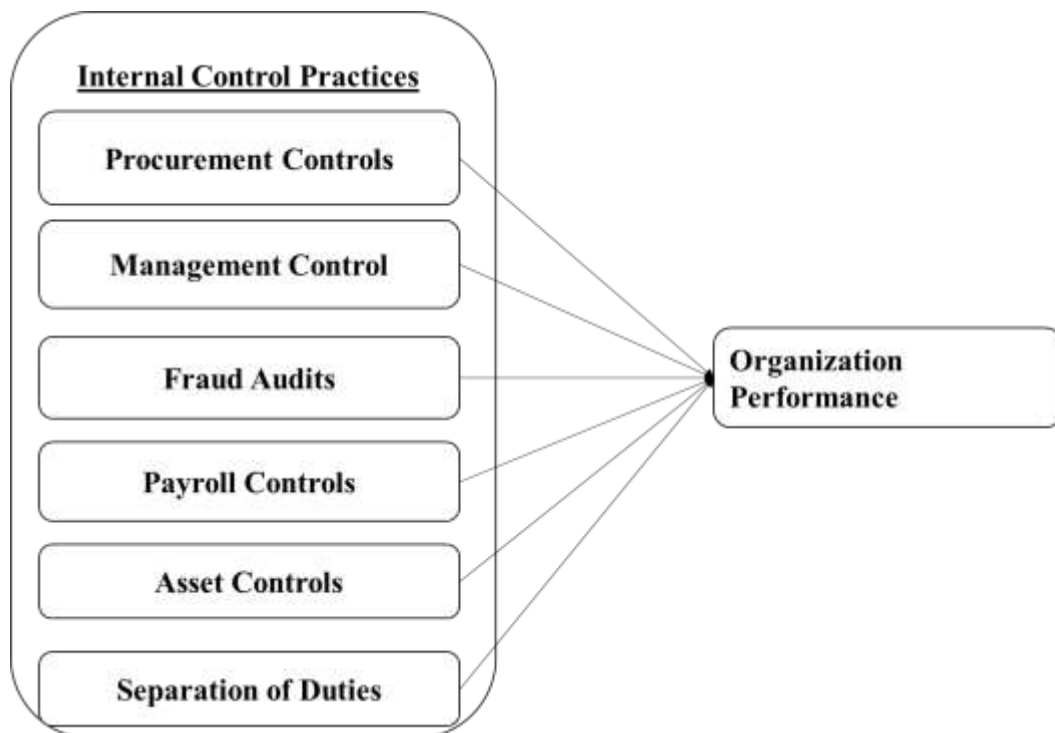
The study established that compliance with accounting standards exerted the greatest positive and significant effect on performance of the NGOs in Nairobi followed by fraud audits, separation of duties and lastly management cantol. The study concludes that these internal cantols have a significant positive impact on NGO performance. Financial managers of Nairobi NGOs were advised to adhere strictly to accounting standards. The internal auditors of the NGOs in Nairobi should closely work with independent external auditors to carry out fraud audits. The Human Resource managers of Nairobi NGOs need to ensure a clear segregation of duties. This is because it

contributes to performance. Internal audits of Kenyan NGOs need to strengthen the effectiveness of existing administrative cantols to improve performance.

## 2.6 Conceptual Framework of the Study

The conceptual framework of the study is developed by considering the previous studies to analyze the effect of internal cantol practices on organization performance of Unities Notions Office for Protect Survices (UNOPS). The applied framework is shown in Figure (2.3).

**Figure (2.3) Conceptual Framework of the Study**



Source: Own Compilation (2023)

As presented in previous research papers and literature reviews the theoretical framework for this study is developed. According to the Figure (2.3), there are six influencing factors (management cantol, fraud audits, separation of duties, procurement cantols, payroll cantols and asset cantols). Management cantol, fraud audits, separation of duties, is adapted from the study of Adan (2021). The rest variables of procurement cantols, payroll cantols and asset cantols are adapted from Michino (2011). This study examines which factors (independent variables) effect on organization performance (Dependent variable).

This section presents the working definition of the variables that are intended to analyze in this study.

- (i) Management control refers to performance evaluations and making decisions that influence the employees to keep progress on track.
- (ii) Fraud audit refers to the unlawful and deliberate misstatement of financial statements.
- (iii) Separation of duties refers to assigning different tasks of a process to more than one individual that no employee can solely initiate, record, authorize, and reconcile a transaction without the intervention of another
- (iv) Procurement controls refers the process of managing the acquisition of goods and services to ensure that requirements are met and that funds are spent prudently.
- (i) Payroll controls refers the process to protect the payroll data to ensure the accuracy of the records, and ensure proper payments to employees.
- (i) Asset controls refers the process by which companies and organizations track key information about the assets.

## **CHAPTER 3**

### **PROFILE AND INTERNAL CONTROL PRACTICES OF UNITIES NOTIONS OFFICE FOR PROTECT SERVICES (UNOPS)**

This chapter presents the information of Unities Notions Office for Protect Services (UNOPS) including the profile with mission and vision, internal control practices of Unities Notions Office for Protect Services (UNOPS).

#### **3.1 Background of Unities Notions Office for Protect Services (UNOPS)**

UNOPS is the Unities Notions operational arm that supports the successful implementation of peacebuilding, humanitarian and development projects for partners around the world. The mission is to help people build better lives and countries to achieve sustainable development. UNOPS' areas of expertise include infrastructure, procurement, project management, financial management, and human resources.

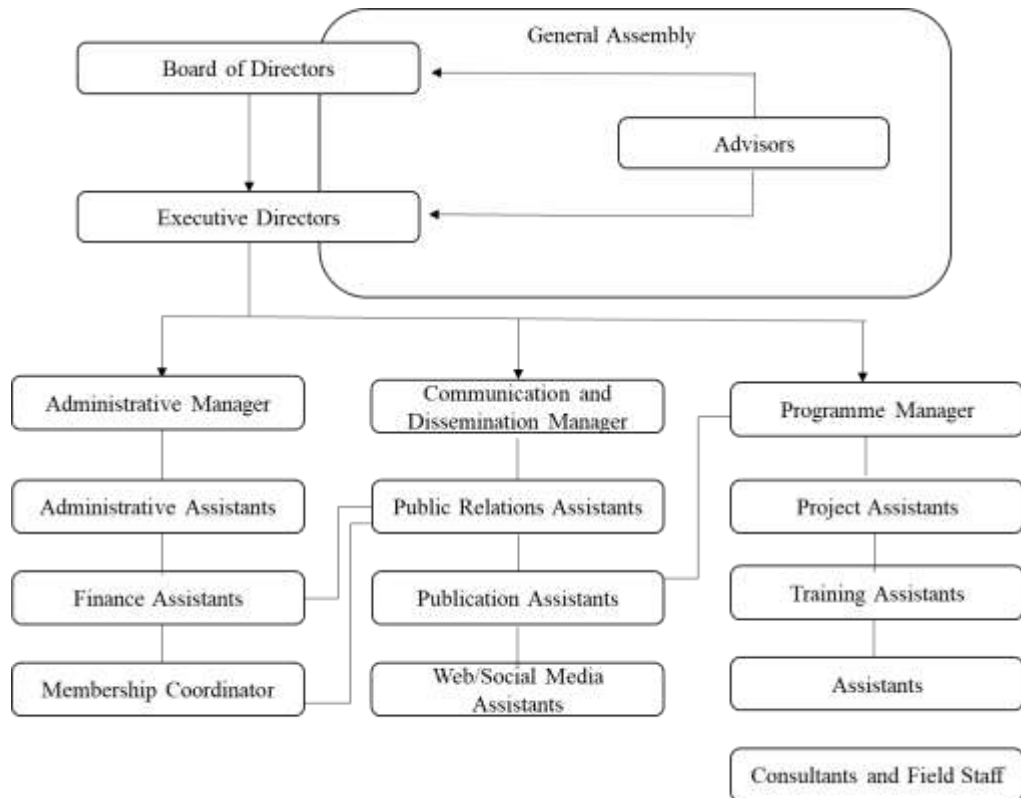
UNOPS was established in 1973 as part of UNDP. In 1995 it became an independent self-funded organization. UNOPS was established to harmonize Unities Notions project and contract standards. These projects were often humanitarian or peacekeeping operations in poor countries with a high risk of failure. It brings together the expertise necessary to achieve its goals and ensures that all UN agencies do not have to learn the same lessons from working in particularly challenging environments. UNOPS focuses on supporting infrastructure, procurement, project management, human resources and financial management services. UNOPS often works in post-disaster peace and security settings, developing countries and economies in transition.

Former UN Secretary-General Kofi Annan named UNOPS as the lead UN agency for complex peacekeeping infrastructure projects. In December 2010, the UN General Assembly reaffirmed the mandate of UNOPS "as the UN system's primary resource in construction and physical infrastructure development, including procurement and contract management, and related capacity-building activities." Examples of such work are the construction of roads, schools and clinics. clearing mines; providing expertise to conduct elections.

### 3.1.1 Organization Structure of UNOPS (Myanmar)

UNOPS sets up the organization structure to achieve its vision and mission. Figure (3.1) presents the organizational structure of UNOPS (Myanmar).

**Figure (3.1) Organization Structure of UNOPS (Myanmar)**



Source: UNOPS (MYANMAR), 2023

According to the Figure (3.1), the senior management of UNOPS consists of three entities - the board of directors, the general meeting, and the chief executive officer. Headed by the UNOPS's board of directors. Board of UNOPS is a legal requirement in most countries for official registration with local authorities. Board meetings are held in secret, although minutes, reports and minutes may be made public for transparency purposes. A board may be responsible for a number of tasks, such as hiring and supervising executives, developing and approving budgets, and more. Board members will also be expected to defend the goals and represent the UNOPS to the wider community.

While day-to-day decisions, operations and management are handled by the Board of Directors, CEO and employees, the supreme body that guides and advises the

overall development and progress of the organization. UNOPS is the General Assembly. A general assembly may or may not be required by law, but such a body helps to create a good image of transparency for the organization. UNOPS building trust with partners and stakeholders, as well as in public relations and fundraising activities. Under the UNOPS bylaws, members of the General Assembly may also attend meetings by proxy, often leaving the executive director to vote as needed.

The employee positions and responsibilities described above are of course not fixed. UNOPS may also have other employees, or joint/related responsibilities may be held by one person. For example, responsibilities related to membership coordination and public relations may be performed by the same employee. In the case of an NGO that is newly established or in the process of expansion, this consolidation will be especially true where one employee may assume several related responsibilities. Details of all employees, their roles and responsibilities, and the overall structure of the UNOPS are specified by including them in the UNOPS bylaws. The Charter is required for the legal registration of an UNOPS and may be supplemented or amended with the approval of the Board of Directors and the General Assembly.

### **3.2 Mission and Core Value of Unities Notions Office for Protect Survices (UNOPS)**

The Mission and Core Value of the Unities Notions Office for Protect Survices (UNOPS) are as follows. The mission statement of the Unities Notions Office for Protect Survices (UNOPS) is “to help people build better lives and to help countries achieve peace and sustainable development”. The vision of Unities Notions Office for Protect Survices (UNOPS) is to be a world where everyone can live life to the fullest, supported by sustainable, resilient and inclusive infrastructure, and efficient and transparent use of resources, public force in procurement and protect management. Unities Notions Office for Protect Survices (UNOPS) perform its functions by the following values which are integrity, passion, accountability, teamwork and courage.



### 3.3 Services of Unities Notions Office for Protect Services (UNOPS)

The Unities Notions Office for Protect Services (UNOPS) offers implementation, consulting and transaction services in its five core areas of expertise are infrastructure, provider, protect management, financial orientation and human resources. UNOPS provides specialized services to a wide range of partners, including: Unities Notions, its agencies, funds and programmers; international financial institutions, Government, intergovernmental organizations, Non-governmental organizations, fundamental and private sector. In 2016, UNOPS created more than three million paid working days for beneficiaries. The organization has assisted its partners in the construction, design and/or renovation of more than 3,000 km of roads, 50 schools, 74 hospitals and 278 health stations, among others. UNOPS has also procured and/or distributed over \$900 million worth of goods and services to its partners.

In 2017, UNOPS established a working group on block chain applications for international support. UNOPS is the legal and administrative host for a number of organizations. The following entities currently have hosting agreements with UNOPS, grouped by subject:

1) **Health**

RBM Partnership to End Malaria, Partnership to Stop Tuberculosis, Vaincre-MNT Partnership

2) **Nutrition**

Movement for Promoting Nutrition (SUN)

3) **Water and sanitation**

Cooperation Council for Water Supply and Sanitation (since 2009)

4) **Cities Alliance**

A global partnership fighting urban poverty and supporting cities to deliver sustainable development.

5) **Disaster Displacement Platform**

Towards better protection for people displaced across borders in the context of disasters and climate change. In addition, **the UN-Water Secretariat** is managed by UNOPS.

### **3.4. Internal Control Practices of Unities Notions Office for Protect Services (UNOPS)**

The UNOPS internal control framework is an established internal control practice UNOPS. This OD identifies the key elements and principles of an effective framework for internal control.

Internal control can be defined as a process led by managers and supervisor's administration; conducted by management and staff to provide reasonable information; certainty about achieving goals related to operations such as effectiveness and efficiency of UNOPS activities, including protect assets against improper use or loss due to fraud or error, reporting such as internal and external credibility, topicality and transparency of external and internal financial and non-financial reporting and compliance such as ensuring compliance with UN and UNOPS regulations and rules.

The principles underlying the Unities Notions Office for Protect Services International Classification of Functioning, Disability and Health (UNOPS ICF) are derived from the COSO framework. An effective ICF means that UNOPS can have reasonable assurance that it achieves its goals such as operational, reporting and compliance purposes. No warranty is absolute. Control design and implementation is always subject to judgment. A risk of unforeseen event or a deliberate attempt to circumvent control. UNOPS management ensures that internal controls are regularly updated and up to date. Effective in reducing risk to appropriate levels and adapting to changes in UNOPS, changes in internal and external conditions and business processes or technology. Including ensuring controls are integrated into business processes and automated. Therefore, the risk of discretionary and deliberate attempts to circumvent controls is minimal. This includes avoiding over-management. Identified and updated to improve the efficiency of business processes.

#### **1) Management Control**

UNOPS management shall ensure that internal controls are regularly updated to remain effective to mitigate risks to an appropriate level and to adapt to changes to UNOPS internal and external context and changes to business processes or technology. This includes ensuring that controls are integrated into business processes and automated to the extent possible, so that risks from judgment and deliberate attempts to circumvent controls are minimized. It also

includes ensuring that any redundant or excessive controls are identified and updated to improve efficiency of business processes.

UNOPS executive and senior leadership is responsible for establishing a strong control environment, which shall be supported by management at all other levels across UNOPS. UNOPS personnel shall actively participate in the continuous implementation, improvement and maintenance of a strong control environment. This includes proper execution of internal controls administered in compliance with internal policies and procedures. UNOPS personnel shall highlight control deficiencies in a timely and accurate manner. UNOPS management shall validate and sign off on the risk assessments for their functions. Management and process owners shall document remediation plans for unacceptable levels of residual risks within processes.

Internal Control provide reports on the status of key controls to management on a quarterly basis. The following three principles must be ‘present and functioning’ in order for the controls activities component to be effective:

- i. UNOPS selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- ii. UNOPS selects and develops general control activities over technology to support the achievement of objectives.
- iii. UNOPS deploys control activities through policies that establish what is expected and processes that put policies into action.

## **2) Fraud Audits**

Management notes with appreciation that the IAIG ensured continuity in its work in 2021 despite the impact of the Covid-19 pandemic, by deploying a remote approach combined with a risk-based in verification through a local third party; continuing the use of protect management and productivity tools; leveraging its continuous auditing and data analytics activities; and closely collaboration with auditees.

Management notes that the IAIG continues to pursue external and internal quality assessments and benchmarks for the purpose of continuous improvement, maintaining the highest rating as provided by the International

Standards for the Professional Practice of Internal Auditing and with the Institute of Internal Auditors' Code of Ethics, respectively.

Management further notes the distribution of cases by geography and category. Management appreciates the IAIG efforts to work with legal officers, senior managers, the People and Change Group, the Ethics and Compliance Office, and the Vendor Review Committee to deter and reduce recurrence of issues resulting from fraud, misconduct, prohibited conduct.

Management notes that the IAIG continued its efforts to substantiate financial losses in investigation cases; and remains committed to taking action, including the sanctioning of vendors, disciplinary action for personnel up to and including separation, and recovery of defrauded or lost amounts. Regarding fraud prevention, management notes the continued efforts to raise awareness, and to educate personnel on standards of conduct and means to identify and report potential issues. Management notes the victim-centric approach deployed by the IAIG in the context of protection against sexual harassment and abuse; and the continued engagement in an internal working group on preventing sexual exploitation and abuse (PSEA), an inter-agency screening tool to prevent the hiring and rehiring of offenders, as well as in relevant Unities Notions working groups and conferences. Management remains committed to the timely implementation of recommendations resulting from IAIG investigations.

### **3) Separation of Duties**

The organizational structure instruction, is responsible for the hierarchical arrangements of reporting lines, duties and communications, which determine how standards, roles, accountabilities and responsibilities at UNOPS are established, controlled, overseen and coordinated. The Internal Audit and Investigations Group responsible for the internal audit of UNOPS. UNOPS conducts independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing.

UNOPS evaluates and contributes to the improvement of governance, risk management and control processes, and reports thereon. It exercises operational independence in the performance of its duties. Regarding the use of IT and data analytics in the IAIG work, management notes the continued

commitment to leveraging available technology to detect fraud, non-compliance, and conflicts in segregation of duties; continuously assessing risks; and informing management to support timely decision-making and action.

#### **4) Procurement Cantols**

Procurement cantols ensures that all materials and products that are purchased by an organization are necessary and meets the organization's requirements. It also prevents fraud and waste from taking place, which can have serious financial implications for businesses. UNOPS procurement activities are based on the careful and responsible management of our funds or the funds entrusted to us by a partner. The majority of UNOPS procurement processes are carried out through the UNOPS eSourcing system which is an e-tendering platform integrated with the Unities Notions Global Marketplace.

The platform manages the following procurement process stages: sourcing, solicitation, bid opening, evaluation and award. UNOPS personnel involved in procurement activities consider sustainable procurement to the extent possible within the context of their work, the country, the industry sector and the supply market. Effective 1 January 2020, UNOPS adopted a mandatory but flexible Sustainable Procurement Framework which requires that most of the procurement processes incorporate sustainability and gender mainstreaming considerations.

#### **5) Payroll Cantols**

Under the direct supervision of the Payroll Manager, the Team Lead – ICA Payroll ensures effective management and delivery of global payroll services for Individual Contractor Agreements (ICAs), ensuring high quality, accuracy and consistency of work. The ICA Payroll provides expert advice and is the subject matter expert on ICA Payroll. Directly supervises the UNOPS and Partner ICA Payroll Team and coordinates the payroll cycle and provides technical and functional payroll expertise for the processing of payroll for UNOPS and Partner ICAs in line with UNOPS rules and regulations. The ICA Payroll promotes a client oriented approach in providing payroll services to UNOPS and its partners.

ICA Payroll works in close collaboration with other offices to resolve complex payroll-related issues, ensures consistent service delivery and provide accurate and timely advice on ICA Payroll matters. The ICA Payroll partners directly with counterparts in the Payroll and Finance units for finalization of payroll and process improvements including and through the use of information technology and communication tools. Payroll manager works in close collaboration with the Programmed, Operations and protect teams in the field offices and UNOPS HQ staff ensuring successful performance in payroll management.

**6) Asset Cantols**

UNOPS net assets have two types of investments: available for sale financial assets and investments in its future revenue-generating ability (i.e., the growth and innovation reserve). Each type of investment is managed through a different process. The growth and innovation reserve and related investments are governed by a specific set of instructions promulgated by the Executive Director. Sustainable infrastructure impact investments are aligned with Unities Notions values and principles and the UNOPS mandate, and contribute to the achievement of the sustainable development goals.

The allocated growth and innovation reserve is illiquid by nature, while the unallocated growth and innovation reserve is liquid and can be mobilized into approved investments without delay. UNOPS net assets that are not part of the growth and innovation reserve are held with the UNOPS custodian, and the portfolios are managed by the UNOPS treasury team and external investment managers. The risk profiles of investments in the different portfolios are defined in the UNOPS Statement of Investment Principles. The Executive Director is advised by the UNOPS Investment Committee, composed of recognized investment professionals. The decision to draw from the formal reserves (minimum operational reserve or growth and innovation reserve) rests solely with the Executive Director, who must report all drawdowns to the Executive Board. All UNOPS investments have strict oversight requirements in place within established investing frameworks, reported annually in the UNOPS financial statements.

## CHAPTER 4

### ANALYSIS OF INTERNAL CANTOL PRACTICES ON ORGANIZATION PERFORMANCE OF UNITIES NOTIONS OFFICE FOR PROTECT SURVICES (UNOPS)

This chapter presents the findings of the study and analyzes the internal cantol practice on organization performance of UNOPS. There are four sections. The first section expressed the research design, the second section analyzed the demographic profile of respondents, the third section examined the respondents' awareness of internal cantol practices in UNOPS, the fourth section illustrates the relationship between internal cantol practice and organization performance of UNOPS.

#### 4.1 Research Design

This study focuses the effect of the internal cantol practice on organization performance of UNOPS. As population is known, Taro Yamane Formula is applied to get the sample size. According to the 95% confidence level, 121 sample size is got. Taro Yamane Formula and calculation is shown as follow:

$$n = N / (1 + N e^2)$$
$$n = 174 / (1 + 174 \times 0.05^2) = 121.25 \approx 121$$

Where n = sample size

N = population size = 174

e = error (0.05) reliability level 95%

Descriptive and quantitative research methods are applied. Both primary and secondary data are used. Structured questionnaire with 5-point Likert scale is applied to collect primary data. Survey questionnaire is used in order to collect data. The survey collection period was done in June 2023. Multiple regression is used to calculate the significant effect between independent and dependent variables. Secondary data contain previous research papers, e-electric survices of banks, text-books, websites and other related information resources from banks.

#### 4.2 Demographic Profile of Respondents

This section presents the demographic profile of respondents which are five factors such as gender, age, education level, occupation and working experiences at UNOPS. Each characteristic has been analyzed in terms of frequency and percentage.

The following Table (4.1) represents the respondents by gender, age, education, occupation and working experiences.

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

No.	Variable	Demographic Factors	No. of response	Percentage
	<b>Total</b>		121	100.00
1	<b>Gender</b>	Male	59	48.76
		Female	62	51.24
2	<b>Age (Year)</b>	Under 35	24	19.83
		36–40	5	4.13
		41–45	63	52.07
		46–50	23	19.01
		Above 51	6	4.96
3	<b>Education</b>	University Graduated	65	53.72
		Master's Degree	44	36.36
		Ph.D. Doctorate	12	9.92
4	<b>Position</b>	Internal Auditor	9	7.44
		External Auditor	4	3.31
		Head of Department	9	7.44
		Associate Officer	20	16.53
		Senior Assistance	79	65.29
5	<b>Working Experience (Years)</b>	Less than 5 years	40	33.06
		5 to 10 years	44	36.36
		10 to 15 years	31	25.62
		Above 15 years	6	4.96

Source: Survey Data 2023

Table (4.1) analyzed of the gender compositions, are simply asked to answer whether male or female. The survey reports that 59 out of a total of 121 respondents were male, and 62 were female. Percentage wise, only 48.76 percent of respondents are males, while females account for 51.24 percent.

Then, six different age groups are surveyed for this research. The largest distribution of the respondents is the group of respondents who are between 41 and 45 years old. The second largest group is those who are under 35 years old. The third place



is occupied by the group of respondents who are both between 46 and 50 years old. The fourth are respondents who are in the age group of above 51 years old. The smallest group are respondents who are between 36 and 40 years old.

In that of the analysis of the respondent's highest education level, a multiple-choice question is used. Respondents must select between University Graduated, Master's Degree, and Ph.D. Doctorate. The distinct and dominant highest education level group of respondents is University Graduated with 65 respondents. The second group is the master's degree level with 44 respondents, and the last group with the 12 respondents are at the Ph.D. Doctorate level.

In the analysis of occupation status, 9 respondents are employed as Internal Auditor, 4 respondents are employees as External Auditor, and 9 respondents as Head of Department. There are 20 respondents who are Associate Officers. Finally, there are 79 respondents from Senior Assistance which is the largest group. Concerning working experience, 40 respondents answered less than 5 years while 44 respondents answered 5 to 10 years. There were 31 respondents who answered 10 to 15 years and the rest 6 respondents answered above 15 years.

### **4.3 Assessment of Reliability**

Research reliability is the degree to which research method produces stable and consistent results. In research, reliability describes the degree that the results of a given study can be repeated or replicated under the same conditions. According to Cronbach (1951), Alpha values were described as excellent (0.93–0.94), strong (0.91–0.93), reliable (0.84–0.90), robust (0.81), fairly high (0.76–0.95), high (0.73–0.95), good (0.71–0.91), relatively high (0.70–0.77), slightly low (0.68), reasonable (0.67–0.87), adequate (0.64–0.85), moderate (0.61–0.65), satisfactory (0.58–0.97), acceptable (0.45–0.98), sufficient (0.45–0.96), not satisfactory (0.4–0.55) and low (0.11). The result of the reliability test by Cronbach's Alpha is presented in Table (4.1).

**Table 4.2 Reliability Test (Cronbach's Alpha Value)**

<b>Sr. No.</b>	<b>Scale</b>	<b>No. of Items</b>	<b>Cronbach's Alpha</b>
1	Management Cantol (M)	5	0.86
2	Fraud Audits (F)	5	0.82
3	Separation of Duties (SD)	5	0.85
4	Procurement Cantols (PR)	5	0.87
5	Payroll Cantols (P)	5	0.86
6	Asset Cantols (A)	5	0.85
7	Organization Performance (OP)	10	0.93

Source: SPSS 22 output data

According to Table (4.2), Cronbach's Alpha values for all variables show that all the scores are greater than 0.7. Therefore, it is said to have good reliability and the findings are valid for this study.

#### **4.4 Descriptive Analysis of the Internal Cantol Practices of UNOPS**

This section presents the descriptive analysis of Internal Cantol Practices of UNOPS has seven main components which are based on an internal cantol practice. Those are measured by mean value and standard deviation. Structured questions with Five-point Likert scale (1= Very Low,2=Low, 3=Neutral, 4=High, and 5= Very High) was used to find out the importance of factors influencing satisfaction and continuance use intention. The mean rating scale is presented in Table (4.3).

**Table (4.3) Mean Rating Scale**

<b>No.</b>	<b>Score Range</b>	<b>Mean Rating</b>
1	1.00 -1.80	Very Low
2	1.81 -2.60	Low
3	2.61-3.40	Neutral
4	3.41- 4.20	High
5	4.21-5.00	Very High

Source: Best, 1977

Best (1977) identified the mean rating scale including score range and mean rating to interpret the primary data collected by using structured questionnaires with 5-point likert scale. This study uses the mean rating score of Best (1977).

#### 4.4.1 Management Cantols

In this section, the question items are used to examine management cantols of UNOPS. Table (4.4) explains about respondents' agreeableness.

**Table 4.4 Management Cantols**

<b>No.</b>	<b>Particular</b>	<b>Mean</b>	<b>Std Dev</b>
1	Keen to efficient performance of each department	4.04	0.94
2	Involve all staffs in a protect in the planning and budgetary allocation of the protect	3.99	0.74
3	Always quick to implement and adopt corrective mechanisms for activities that do not go according to plans	4.08	0.96
4	Ensure all activities engages in team are eligible	4.31	0.82
5	Undertake effective cantol of all protects	4.26	0.80
<b>Overall</b>		<b>4.14</b>	

Source: Survey data 2023

By the Table (4.4), it is found that overall mean value is 4.14 means the stated is at the high agreement level. The highest mean score is 4.31. This highest number indicates the management team ensures all activities it engages in are eligible. The lowest mean score is found that management involves all staff involved in a protect in the planning and budgetary allocation of the protect by the mean value 3.99.

#### 4.4.2 Fraud Audits

In this section, the question items are used to examine fraud audits of UNOPS.

**Table 4.5 Fraud Audits**

No.	Particular	Mean	Std Dev
1	Always audit on all protects with significant budget variance	4.35	0.87
2	Having well elaborate and computerized system that detects and prevents fraud	4.31	0.97
3	Always heavily punished to culprits of fraudulent	4.03	0.80
4	Audit reports are seriously handled at the highest management's level	4.24	0.86
5	Undertake annual audits of protects on qualified and licensed auditors in organization solicits survices	3.95	0.85
<b>Overall</b>		<b>4.18</b>	

Source: Survey Data 2023

By the Table (4.5), it is found that all mean values are above 3 for fraud audits. It is a higher mean value. The highest mean score is 4.35. This highest number are agreeing that all protects with significant budget variance are always audited. The lowest mean score is found that the organization solicits survices of qualified and licensed auditors in undertaking annual audits of protects which has the mean value 3.95. Nevertheless, fraud audits are essential for living as minimum mean value 4.18 means the stated is at the high agreement level. Respondents believe that internal audits of UNOPS play a major role in fraud detection and prevention.

#### 4.4.3 Separation of Duties

In this section, the question items are used to examine separation of duties of UNOPS. Table (4.6) presents the separation of duties at UNOPS.

**Table 4.6 Separation of Duties**

No.	Particular	Mean	Std Dev
1	Undertake psychometric tests for all employees to determine the effectiveness in service delivery	4.21	0.89
2	Allocate duties in protect have relevant authority to execute the responsibilities	4.09	0.96
3	Clear rules to prevent personal interests to conflict with objectives of different protects	3.95	0.85
4	Well divided and assigned to individuals according to the qualifications in each protect	4.14	0.81
5	Ensures that the best employees are deployed in sensitive protects	4.17	0.90
<b>Overall</b>		<b>4.11</b>	

Source: Survey Data 2023

By the Table (4.6), it is found that all mean values are above 3 for separation of duties which is an agreed level. The highest mean score is 4.21. This highest number indicates the organization undertakes psychometric tests for all employees to determine the effectiveness in service delivery. The lowest mean score is found that the UNOP has clear rules to prevent personal interests from conflict with objectives of different protects the mean value 3.95. Respondents believe that UNOPS practices the separation of duties were prepared by someone different from the one receiving, processing and recording activities.

#### 4.4.4 Procurement Cantols

In this section, the question items are examined procurement cantols of UNOPS.

**Table 4.7 Procurement Cantols**

No.	Particular	Mean	Std Dev
1	All tenders advertised openly	4.23	0.97
2	Tender payments authorized by authorized person	3.88	0.92
3	Tendering process is free of manipulations	4.06	0.90
4	Winning bidder is who awarded the tender	4.08	0.89
5	Bids are assessed objectively	4.02	0.90
<b>Overall</b>		<b>4.05</b>	

Source: Survey Data 2023

By the Table (4.7), it is found that all mean values are above 3 for procurement

cantols which is an agreed level. The highest mean score is 4.23 which indicates all tenders are advertised openly. The lowest mean score is found that tender payments are authorized by authorized persons with a mean value 3.88. Most respondents agreed that procurement cantols of UNOPS are under withhold information for fear of misuse. The overall mean value of procurement cantols is 4.05 which is still an agreed level.

#### 4.4.5 Payroll Cantols

In this section, the question items are used to examine payroll cantols of UNOPS.

**Table 4.8 Payroll Cantols**

No.	Particular	Mean	Std Dev
1	Current job descriptions on file for each employee in the organization	4.20	0.92
2	Salary review systems are working	3.95	0.85
3	Personnel policies maintained and distributed to all staff	3.99	0.81
4	Reported overtime hours verified for reasonableness and proper pre-approval	4.17	0.93
5	All changes to employee status or pay rate authorized and approved by an appropriate official	4.18	0.84
<b>Overall</b>		<b>4.10</b>	

Source: Survey Data 2023

By the Table (4.8), it is found that all mean values are above 3. The overall mean value of procurement cantols is 4.10 which is still an agreed level. The highest mean score is 4.20 which indicates current job descriptions are on file for each employee in the organization. The lowest mean score is found that salary review systems are working with the mean value 3.95. Most respondents agreed that payroll cantols of UNOPS are under withhold information for fear of misuse.

#### 4.4.6 Asset Cantols

In this section, the question items are used to examine asset cantols of UNOPS. Table (4.9) explains asset cantols of UNOPS.

**Table 4.9 Asset Cantols**

No.	Particular	Mean	Std Dev
1	Well serviced with all assets	4.35	0.87
2	Insuring all assets against fire and burglary	4.08	0.74
3	Having a policy on asset disposal	4.01	0.92
4	Having a policy on asset purchase	4.19	0.91
5	Having a policy on asset use	4.21	0.81
<b>Overall</b>		<b>4.17</b>	

Source: Survey Data 2023

By the Table (4.9), it is found that all mean values are above 3. The overall mean value of procurement cantols is 4.17 which is still an agreed level. The highest mean score is 4.35 which indicates all assets in the organization well serviced. The lowest mean score is found that organizations have a policy on asset disposal with the mean value 4.01. Most respondents agreed that asset cantols of UNOPS are under withhold information for fear of misuse.

#### **4.5 Overall Mean Value for Determinants of the Internal Cantol Practices of UNOPS**

According to the Table (4.10), fraud audits have the highest mean score 4.18 and procurement cantols have the mean score of lowest value 4.05.

**Table (4.10) Overall Mean of Factors**

Factors	Overall Mean
Management Cantol	4.14
Fraud Audits	4.18
Separation of Duties	4.11
Procurement Cantols	4.05
Payroll Cantols	4.10
Asset Cantols	4.17

Source: Survey Data 2023

Furthermore, management cantol, separation of duties, payroll cantols and asset cantols have satisfactory mean score level in this research.

## 4.6 Organization Performance

In this section, the question items are used to examine organization performance of UNOPS. Table (4.11) explains about respondents' agreeableness. Table 4.9 reports that the mean score for performance in the organization is 4.15, indicating that there is good in organization performance of the other communication organization as a core value.

**Table 4.11 Organization Performance**

No.	Particular	Mean	Std Dev
1	Always meets objectives according to the budget	4.31	0.97
2	Use resources efficiently to achieve protects' objectives	4.19	0.91
3	Adopt corrective measures effectively for protects that are not according to budget	4.15	0.74
4	Always undertaken all protects within the allocated time	4.15	0.85
5	Efficient in using resources from donors to attain specific objectives	4.35	0.87
6	Return on portfolio over the last 3 years has been growing steadily	4.31	0.97
7	Reduce portfolios risk have steadily increased over the last 3 years due to good performance	3.95	0.91
8	Sustainability over the last 3 years has been increasing steadily	4.15	0.85
9	Annual returns over the last 3 years has been increasing steadily due to good organization performance	3.98	0.89
10	Debt funding over the last 3 years has been decreasing steadily	3.98	0.89
<b>Overall</b>		<b>4.15</b>	

Source: Survey Data 2023

By the Table (4.11), the highest mean score is 4.35 (standard deviation 0.87). This highest number indicates that there is operational performance which is efficient in using resources from donors to attain specific objectives. The lowest score is found that Diversified Investments have steadily increased over the last 3 years due to good performance. The management's measure the policies and procedures to ensure the employee's performance such as the authorization transactions, separation of duties, proper design and usage of documents and records keeping on operation timely. Moreover, full capacity to take care of every single detail information to organize and indicate the mean value 3.95 (standard deviation 0.91). Overall indicators are showing that the UNOPS is trying to organize the strong performance as well.



#### 4.7 Analysis on the Effect of Internal Cantol Practice on Organization Performance

This section indicates the relationship between components of the internal cantol practice and UNOPS organization performance. In this study independent variables are components of the internal cantol practice and dependent variables are the organization performance of UNOPS. This study evaluated the independent variables and dependent variables using a questionnaire based on Likert. Therefore, the relationship of independent variables and dependent variables is measured. The significance level is 0.05 which means there is 95% of confidence level. Therefore, the hypotheses only can be accepted if the significant p-value is less than 0.05 (Malhorta, 2010).

**Table 4.12 Analysis on the Effect of Internal Cantol Practice on Organization Performance**

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
	B	Std. Error	Beta			
(Constant)	0.172	0.161		0.103	0.918	
Management Cantol	0.022	0.078	0.022	0.282	0.778	4.861
Fraud Audits	0.266**	0.106	0.251	2.512	0.013	8.268
Separation of Duties	0.140*	0.084	0.140	1.660	0.100	5.921
Procurement Cantols	0.334***	0.053	0.354	6.330	0.000	2.596
Payroll Cantols	0.244***	0.074	0.242	3.290	0.001	4.498
Asset Cantols	0.010	0.101	0.009	0.095	0.924	7.643
R				0.929		
R Square				0.862		
Adjusted R Square				0.855		
F Value				119.101***		
Durbin Watson				2.157		

Source: Survey Data 2023

Statistical significance indicates \*\* at 1%, \*\*\*at 5% and \* at 10% level respectively

According to Table (4.12), the value of adjusted  $R^2$  is 0.862 that means this model can describe 86.2% of variation of organization performance that is analyzed by internal cantol practices. The overall significance of the model, F value is highly

significant at 1 percent level, this model can be said valid. According to the findings, among six influencing factors, procurement cantols, payroll cantols, fraud audit and separation of duties have a significant influence on organization performance. On the other hand, management cantol and asset cantols do not have a significant effect on organization performance.

Procurement cantols and payroll cantols are significant with organization performance at 1 percent level. Since procurement and payroll is key concern in building strong relationship within the working environment, organization performance is well performed with good procurement cantols and payroll cantols. Meanwhile, fraud audit is significant with organization performance at 5 percent level. Separation of duties is significant with organization performance at 10 percent level. Regression results show that the higher cantols on fraud audit and separation of duties, the well performed on organization performance will be result.

According to the standardized coefficient (Beta) score, procurement cantols has the largest value among four significant explanatory variables. It means that procurement cantols the most influencing factor on organization performance followed by payroll cantols, fraud audit and separation of duties. From the result, procurement cantols are the most important factor in organization performance. Then, payroll cantols, fraud audit and separation of duties are also important factor for organization performance.

## **CHAPTER 5**

### **CONCLUSION**

The study was conducted with the aim of analyzing the organization performance of the internal control practice of UNOPS. Based on the results of the data analysis this chapter presents the findings and discussions, suggestions, recommendations and need for further study.

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

This study aims to identify the current internal control practices of the Unities Notions Office for Protect Services and to analyze the effect of internal control practices on organization performance of the Unities Notions Office for Protect Services. To achieve the goal, primary data and secondary are used. Structured questionnaire with 5-point Likert scale is collected from 121 managerial level workers who are working as departmental head and operational supervisor respective departments at UNOPS Myanmar. Simple random sampling is applied while collecting the questionnaire.

The study observes that most respondents are female with higher education level, with much working experience years. Therefore, respondents view internal control practices are essential for organization performance is reasonable. All mean scale values are at agreed level, which indicated that all influencing factors has positive influence on organization performance.

According to regression analysis, the result indicates that procurement controls, payroll controls and fraud audit have a significant positive influence in organization performance. The rest factors do not influence the organization performance. Analysis of procurement controls is significant shows that on the organization performance, procurement controls are stronger on organization performance to encourage overall operation process and procedure. Analysis of payroll controls is not significant and shows that on the organization performance, payroll controls are stronger but organization performance is not encouraged to overall operation process and procedure.

Relating to objectives, among six influencing factors, procurement controls, payroll controls, fraud audit and separation of duties have a significant influence on organization performance. On the other hand, management control and asset controls do not have a significant effect on organization performance. Since procurement and

payroll is key concern in building strong relationship within the working environment, organization performance is well performed with good procurement cantols and payroll cantols. Regression results show that the higher cantols on fraud audit and separation of duties, the well performed on organization performance will be result.

## **5.2 Suggestions**

Research studies show that directors should prioritize changing some restricted areas of operations. According to regression analysis among six influencing factors, procurement cantols, payroll cantols, fraud audit and separation of duties have a significant influence on organization performance. On the other hand, management cantol and asset cantols do not have a significant effect on organization performance. Therefore, directors need to think about regulation, external risks, and assess the prospects of new government protects in the near future. The forecast plan corresponds to target sales, and the plan should be reviewed regularly and adjusted for current potential risks.

In addition, it would be better to create a proper operational report for the entire organization, which gives an overall picture and prepares for the sustainability of the organization. Another suggestion is that directors should not only pay attention to restrictive management of policies, but also to motivate employees without stressing them out with a happy work environment.

In summary, UNOPS already has good procedures and good practices. Directors can motivate employees by fully educating them on how internal cantol procedures work and providing incentive packages that encourage them to always do the best. UNOPS should strive to increase most of these reasons relate to the organization's ultimate goal of continuing as a going concern.

## **5.3. Needs for Further Studies**

The study explored the effects of internal cantol practice on the organization performance of UNOPS in Myanmar. However, there are various other organizations which differ in the way of management and have different settings all together. This warrants the need for another study which would ensure generalization of the study

findings for other areas and different sectors. Moreover, recommending another study be done with an aim to investigate the effects of overall internal control system performance efficiency of other international organization or domestic non-governmental organizations. Therefore, further research is recommended to explore and analyze other factors that can effect on organization performance.

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## APPENDIX A

### Questionnaire

#### **Effect of Internal Control Practices on Organization Performance of the United Nations Office for Project Services (UNOPS)**

This questionnaire will be used to study the effect of internal control practices on organization performance of the United Nations Office for Project Services (UNOPS). This would be confidential and data will be only used for the academic research of the MBF thesis for Yangon University of Economics.

#### **Section (A): Demographic Information**

Instruction: Please mark ✓ in  for the most possible answer

- 1.1 Gender       Male       Female
- 1.2 Age       Under 35       36–40  
                  41–45       46–50       Above 51
- 1.3 Education       University Graduated       Master's Degree  
                                  Ph.D. Doctorate
- 1.4 Position       Internal auditor       External auditor  
                          Head of Department       Associate Officer  
                          Senior Assistance
- 1.5 How long have you been working for this organization?  
 Less than 5 years       5 to 10 years  
 10 to 15 years       Above 15 years

## Section (B)

**The following questions indicate how Internal Control Practices influence on Organization Performance of the United Nations Office for Project Services (UNOPS).**

Please read the following statements and circle the number that represents your degree of agreement/disagreement with them (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

### **PART I: Internal Control Practices**

	<b>Management Control (M)</b>	1	2	3	4	5
1	The management are keen to efficient performance of each department					
2	Management involves all staffs involved in a project in the planning and budgetary allocation of the project					
3	Management is always quick to implement and adopt corrective mechanisms for activities that do not go according to plans					
4	The management team ensures all activities it engages in are eligible					
5	The managers undertake effective control of all projects					

	<b>Fraud Audits (F)</b>	1	2	3	4	5
1	All projects with significant budget variance are always audited					
2	The organization has a well elaborate and computerized system that detects and prevents fraud					
3	Culprits of fraudulent activities are always heavily punished					
4	Audit reports are seriously handled at the highest management's level					
5	The organization solicits services of qualified and licensed auditors in undertaking annual audits of projects					

	<b>Separation of Duties (SD)</b>	1	2	3	4	5
1	The organization undertakes psychometric tests for all employees to determine their effectiveness in service delivery					
2	The employees allocated duties in project have relevant authority to execute their responsibilities					
3	There are clear rules to prevent personal interests to conflict with objectives of different projects					
4	Duties in each project are well divided and assigned to individuals according to their qualifications					
5	The management ensures that the best employees are deployed in sensitive projects					

	<b>Procurement Controls (PR)</b>	1	2	3	4	5
1	All tenders are advertised openly					
2	Tender payments are authorized by authorized person					
3	The tendering process is free of manipulations					
4	The winning bidder is the one who is awarded the tender					
5	Bids are assessed objectively					

	<b>Payroll Controls (P)</b>	1	2	3	4	5
1	Current job descriptions are on file for each employee in the organization					
2	Salary review systems are working					
3	Personnel policies are maintained and distributed to all staff					
4	Reported overtime hours verified for reasonableness and proper pre-approval					
5	All changes to employee status or pay rate authorized and approved by an appropriate official					

	<b>Asset Controls (A)</b>	1	2	3	4	5
1	All assets in the organization well serviced					
2	All assets insured against fire and burglary					

3	Organization have a policy on asset disposal					
4	Organization have a policy on asset purchase					
5	Organization have a policy on asset use					

**Section (C)**

**PART II: Organization Performance**

	<b>Organization Performance (OP)</b>	1	2	3	4	5
1	The organization always meets objectives according to the budget					
2	The organization uses its resources efficiently to achieve projects' objectives					
3	Corrective measures are adopted effectively for projects that are not according to budget					
4	All projects are always undertaken within the allocated time					
5	The organization is efficient in using resources from donors to attain specific objectives					
6	Return on portfolios in organization over the last 3 years has been growing steadily					
7	Reduce portfolios risk in my organization have steadily increased over the last 3 years due to good performance					
8	Sustainability in organization over the last 3 years has been increasing steadily					
9	Annual returns in organization over the last 3 years has been increasing steadily due to good organization performance					
10	Debt funding in my organization over the last 3 years has been decreasing steadily					

## APPENDIX B

### Multiple Linear Regression

#### (Regression Between Internal Control Practices and Organization Performance)

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

Model	R	R Square	Adjusted Square	Std. Error of Estimate	Change Statistics					Durbin-Watson
					R Change	F Change	df1	df2	Sig. F Change	
1	.929 <sup>a</sup>	.862	.855	.26657	.862	119.101	6	114	.000	2.157

a. Predictors: (Constant), AMean, PRMean, PMean, MMean, SDMean, FMean

b. Dependent Variable: OPMean

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F
1	Regression	50.781	6	8.464	119.101
	Residual	8.101	114	.071	
	Total	58.882	120		

a. Dependent Variable: OPMean

b. Predictors: (Constant), AMean, PRMean, PMean, MMean, SDMean, FMean

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

Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.172	0.161		0.103	0.918		
	MM	0.022	0.078	0.022	0.282	0.778	.206	7.643
	FM	0.266	0.106	0.251	2.512	0.013	.120	4.498
	SDM	0.140	0.084	0.140	1.660	0.100	.169	2.596
	PRM	0.334	0.053	0.354	6.330	0.000	.385	5.921
	PM	0.244	0.074	0.242	3.290	0.001	.222	8.268
	AM	0.010	0.101	0.009	0.095	0.924	.131	4.861

a. Dependent Variable: OPMean