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INTERNAL CONTROL PRACTICES, FRAUD PREVENTION AND FINANCIAL PERFORMANCE OF “A” BANK

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ABSTRACT

The primary objective of this study is to examine the internal control methods, fraud prevention measures, and financial performance of "A" bank. The primary aims of this study are to investigate the impact of internal control practices on the prevention of fraudulent activities, as well as to analyze the influence of fraud prevention on the financial performance of an organization. This study involved the collection of both primary and secondary data. The collection of primary data involved the utilization of a Google form to survey a total of 315 employees from forty-two branches of "A" Bank. This sampling technique employed a basic random sample procedure. In this study, a questionnaire employing a 5-point Likert Scale was utilized. Correlation and multiple regression analysis were employed to examine the impact of internal control measures, fraud prevention, and financial performance within the banking sector. The findings of this study indicate that the control environment, information and communication, and monitoring activities have a statistically significant impact on fraud prevention within the bank under investigation. However, the risk assessment and control activities were not found to have a statistically significant effect on fraud prevention. The research additionally revealed that the implementation of fraud prevention measures had a discernible impact on the financial performance of the bank in question. The report suggests that bank authorities should utilize intranet and forums as a means of centralizing all data and information. Moreover, it is recommended that "A" bank implements an information system that can effectively help audit systems in detecting fraudulent behaviors.

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LIST OF ABBREVATIONS

"A"	Ayarwaddy Farmer Development Bank
IC	Internal Control
CA	Control Activities
CBM	Central Bank of Myanmar
CE	Control Environment
COSO	Committee of Sponsoring Organizations of the Treadway Commission
FP	Fraud Prevention
FP	Financial Performance
I&C	Information and Communication
M	Monitoring
RA	Risk Assessment

CHAPTER 1
INTRODUCTION

The efficacy and dependability of financial and non-financial resources inside an organization are crucial factors for the success of commercial entities. Hence, organizations implement diverse mechanisms, namely internal controls and internal audits, to optimize the utilization of individual employees' resources inside the firm.

Internal controls play a crucial role in promoting optimal business operations, ensuring adherence to management policies, safeguarding assets, detecting and preventing fraudulent activities, and facilitating the timely and accurate preparation of reliable financial statements. These controls encompass a comprehensive set of policies and procedures implemented by management to effectively manage organizational entities and support the achievement of management objectives. The idea of internal control is comprehensive, since it includes the various procedures, methods, and controls that a company develops to enhance the probability of attaining its business objectives. Internal controls can be seen as a collection of policies and processes that establish a framework for overseeing a company's operations, with the aim of enabling management and the board to effectively attain the company's objectives. Hence, the implementation of internal controls is vital for all enterprises. The vulnerability of the banking industry to various hazards significantly impacts the financial performance of the business environment (Al-Thunebat, et al., 2015).

Internal controls refer to a set of procedures and mechanisms that are specifically designed to offer management a reasonable level of confidence in achieving operational effectiveness and efficiency, ensuring the veracity of financial reporting, and complying with relevant laws and regulations (Grant, et al., 2008). Internal controls have the capacity to mitigate errors and fraudulent activities by actively monitoring and improving the organizational and financial reporting processes, while also assuring adherence to relevant laws and regulations (Rae & Subramanian, 2008). Reasonable assurance is achieved through the use of cost-effective measures aimed at limiting deviations, including incorrect or unlawful activities, to an acceptable level. According to Fadzil et al. (2005), the internal audit assesses the efficacy of internal control measures to determine if they are operating as planned. Instances of fraudulent activities have persisted over the course of history, manifesting in various guises.

The banking industry has witnessed a notable increase in errors and fraudulent activities, which may be attributed to the advent of technological advancements and the extensive adoption of internet-based platforms. According to Cressey's seminal work in 1953, the occurrence of fraud is contingent upon the presence of three key factors: pressure, rationalization, and opportunity. According to Kabue (2015), individuals working in the banking sector possess a comprehensive understanding of operating norms and processes, as well as access to sensitive and secret client information. This combination of expertise, along with advancements in technology, creates a potential avenue for these personnel to engage in fraudulent activities. The employees possess knowledge regarding the principles outlined in the Internal Audit Manual, as well as the operational guidelines and processes specific to bank branches within the monetary and financial sectors. Bank employees possess knowledge of customers' sensitive information, including identification passwords for mobile banking and mobile wallets, deposit amounts, phone numbers, email addresses, signatures, and bank account numbers.

There exists a potential risk that employees may exploit this information for illicit purposes, such as engaging in fraudulent withdrawals from the bank. This study highlights the significance of fraud prevention as a crucial element in internal control practices, while also acknowledging the influence of banks' financial performance on the effectiveness of fraud prevention measures. The concept of financial performance encompasses the evaluation of a company's policies and operations in terms of monetary outcomes (Trivedi, 2010). The assessment of financial performance holds significant importance in enhancing the operational efficacy of companies confronted with intricate obstacles in delivering banking financial goods. The financial performance of a bank can be assessed through the utilization of profitability and liquidity metrics. A bank's financial performance can be characterized by three primary variables. The potential outcomes of a business venture include generating a profit, achieving a break-even point, or incurring financial losses. Typically, the primary objective of a company is to generate financial gains.

The primary objective of banking is to maximize profitability. To assess the profitability of Bank "A", a set of ratios is employed, with Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) being the most significant among them. The return on assets (ROA) of a bank, denoted as "A," pertains to its capacity to create profits derived from its assets. The Bank's return on assets (ROA) is exhibiting an upward trajectory, suggesting a positive trend in its financial performance. Conversely, a declining trajectory suggests that the fiscal performance of "A" Bank is seeing a decline. Furthermore, the financial performance of "A" Bank also has an impact on the decrease of superfluous expenditures. In order to enhance its financial performance, "A" Bank should prioritize the reduction of customer complaints and the minimization of customer service time for financial management systems. As the return on assets of "A" Bank improves annually, it demonstrates a level of profitability that adequately covers the expenditures associated with operating the banking operation.

At now, Ayeyarwaddy Farmers Development Bank (referred to as "A" bank) is emerging as a prominent financial institution in Myanmar, garnering recognition for its notable advancements within the country's banking sector. Although the implementation of robust internal control practices is crucial for banks, it is anticipated that "A" Bank will ascend to the top position among the leading 10 banks in Myanmar within the next five years. To improve the financial performance of "A" bank, it is imperative for the institution to adopt suitable internal control measures. Hence, the implementation of internal control methods serves as a means of preventing fraudulent activities by effectively managing banking transactions and facilitating the detection of errors and frauds for future reference. This study examines the impact of internal control practices and fraud prevention on the financial performance of "A" Bank.

1.1 Rationale of the Study

The significance of internal control lies in its role as a crucial duty for the prevention and detection of fraudulent activities. The adoption of internal controls serves to secure assets, prevent misuse and mismanagement, and detect and mitigate instances of fraud. It is imperative that the bank's records and accounting processes undergo development and undergo auditing by renowned professional auditors. The prevalence of fraud and scandal is widely attributed to the presence of poor internal control systems. According to the Central Bank of Myanmar (CBM), the incorporation of continuous internal control processes is a crucial component within the risk management framework. It is imperative that the internal audit function operates as an autonomous entity and maintains a direct reporting line to the audit committee. Regular assessment of the bank's risk management structure and procedures is necessary to evaluate their efficacy. Special consideration should be given to ensuring compliance with established policies and limitations, as well as relevant laws, regulations, and guidelines.

The root reason of inadequate internal control practices at "A" Bank can be attributed to human factors. At present, inside the nation of Myanmar, the process of transferring funds from one location to another is underway, facilitated by financial institutions that offer corresponding services for such transactions. Money transfer services encompass both expedited and protracted money transfer withdrawals. Occasionally, clients may refrain from withdrawing remittance funds due to various factors. In contemporary society, it has become commonplace for individuals to maintain multiple bank accounts across various financial institutions. Hence, it is observed that certain bank savings accounts remain dormant for extended periods of time. In the realm of banking, an unscrupulous employee may illicitly obtain entry into an inactive account and proceed to execute prohibited transactions by the manipulation of account particulars. Hence, it is imperative for banks to have risk assessment protocols that enable the identification, evaluation, and mitigation of suspected fraudulent activities.

Historically, banks have been responsible for implementing control operations, which include overseeing processes such as approving savings and withdrawal transactions, authorizing transfers, and conducting verifications, among others. Consequently, financial institutions establish an internal communication system that use user accounts to regulate access to information according to the respective user account levels. Nevertheless, it is possible for bank personnel to identify and exploit vulnerabilities inside their organization's internal controls. This may occur through the misuse of their authorized access to the bank's IT systems or by specifically targeting inactive accounts. Due to the dearth of information provided by financial institutions, particularly in cases involving unauthorized withdrawals from customer bank accounts, concerned individuals frequently inquire about the security of their funds within the bank and the potential for restitution for victims affected by such fraudulent activities. Hence, there is a growing concern among financial institutions regarding the escalating risk of employee fraud.

In order to uphold the favorable reputation of the bank, "A" Bank has developed internal control measures aimed at mitigating instances of fraud and mitigating potential declines in financial performance within the COVID-19 pandemic. Furthermore, "A" Bank implements measures aimed at gradually reinstating the pre-pandemic conditions subsequent to the global health crisis. The primary objective of "A" Bank is to establish itself as the leading private bank within the next five years, with a specific focus on implementing robust fraud prevention measures and fostering public trust in Myanmar. Effective internal control techniques play a crucial role in ensuring the attainment of a bank's goals and objectives, as well as facilitating the realization of long-term profitability targets and the maintenance of dependable financial and managerial reporting. Hence, the implementation of internal control measures assumes a significant role in attaining the desired status of "A" bank. The objective of this study is to enhance the comprehension of the efficacy of the internal control practices currently implemented by "A" Bank. Hence, the present study centers its attention on examining the internal control techniques employed by "A" Bank and their potential impact on fraud prevention. Additionally, this study aims to investigate the relationship between fraud prevention measures and the financial performance of "A" Bank.

1.2 Objectives of the Study

The main objectives of the study are as follows:

1. To identify the internal control practices of “A” Bank.
2. To investigate the effect of internal control practices on fraud prevention of “A” Bank.
3. To analyse the effect of fraud prevention on financial performance of “A” Bank.

1.3 Scope and Method of the Study

The scope of this study is limited to examining the impact of internal control methods and fraud prevention measures on the financial performance of "A" Bank. Furthermore, the scope of this study is limited to the examination of internal control processes within "A" Bank, specifically focusing on control environment, risk assessment, control activities, information and communication, and monitoring. In order to achieve the goals of the research, a combination of primary and secondary data is utilized. The collection of primary data involves the utilization of structured questionnaires employing the Five-point Likert scale, which are administered to workers of "A" Bank. Secondary data refers to information that is obtained from various sources such as textbooks, websites, documents, journals, articles, and worldwide research papers.

The present study focuses on a well-defined group. The sample size was determined using the Taro Yamane (1973) Method. The study included a total sample size of 315 individuals, consisting of employees from 42 branches and the Head of Department (HOD) from the HR, admin, Finance, and internal audit departments. The survey questions are formulated using a 5-point Likert scale, which spans from "strongly disagree" to "strongly agree". The designated timeframe for data collecting is from the 1st of March to the 30th of April in the year 2023. This study employed descriptive statistics, specifically mean and standard deviation, to examine the data. Furthermore, the researchers employed multiple linear regression analysis to examine the impact of internal control systems, fraud prevention, and financial performance.

1.4 Organization of the Study

The present study has five chapters. Chapter 1 provides an overview of the study, including the motivation, objectives, scope, methodology, and organization. Chapter 2 provides a comprehensive theoretical assessment of the study, encompassing the topics of internal control methods, fraud prevention, financial performance, and the interplay between internal control practices and financial performance. In Chapter 3, an examination is conducted on the internal control practices used by "A" Bank. The document encompasses the overview of "A" Bank's profile and the internal control measures implemented by "A" Bank. Chapter 4 of this study provides an in-depth examination of the data presentation and data analysis pertaining to the impact of internal control methods, fraud prevention, and financial performance inside "A" Bank. On the other hand, Chapter 5 encompasses a concise summary of the findings and discussion, along with ideas, recommendations, and the identification of areas that require additional investigation.

CHAPTER 2
THEORETICAL BACKGROUND

This chapter examines the notion of internal control procedures and the constituent elements of such practices, which collectively offer a methodical approach towards achieving an organization's objectives. Furthermore, this study includes a theoretical examination of financial performance and the correlation between internal control measures, fraud prevention, and financial performance. Furthermore, this chapter provides a comprehensive overview of prior research pertaining to the internal control methods, as well as the conceptual framework of the study. Additionally, it includes a detailed explanation of the working definition and important words utilized in this research.

2.1 Concept of Internal Control

This paper examines the internal control techniques implemented by a business to ensure the dependability of financial and managerial reports, delineate the roles and duties of personnel, and address fraudulent actions. Internal control techniques encompass the implementation of mechanisms within an organization's everyday operations that serve to deter the misappropriation of funds, mitigate errors and fraudulent activities, and ensure adherence to regulatory standards (Chang, et al., 2019; Hogan & Wilkins, 2008).The term "internal control" encompasses the collective strategies, strategies, and protocols employed to protect an organization's assets, enhance its financial and operational efficacy, and promote adherence to prescribed policies (Hopkin, 2012). Internal control, often known as internal audit, is a comprehensive system of controls that are applicable to various aspects of business such as sales, purchasing, finance, cost, manufacturing, and other related areas (Martin, 1994). Internal control refers to the financial systems and various controls used by management in order to maintain the smooth and effective functioning of the organization, safeguard its assets, and uphold the accuracy and dependability of its records (Woolf, 1992).

An efficient internal control system is established via the implementation of certain procedures by management. The International Accounting Standards classifies various types of internal controls, including the plan of organization, segregation of duties, control of documents, safeguarding of assets, competence of staff, arithmetic and accounting controls, recording and record keeping, supervision, authorization and approvals, vocation and rotation of duties, cost feasibility, and routine and automatic checks (Kinyua, 2016).

2.2 Components of Internal Control

The COSO Framework is a widely employed solution that facilitates the implementation of internal controls within corporate processes. In aggregate, these control measures offer a reasonable level of confidence that the business is conducting its operations in an ethical and transparent manner, aligning with established industry norms. The COSO framework underwent an update in 2013, incorporating the introduction of the COSO cube. This three-dimensional figure serves as a visual representation, illustrating the interrelationships among various components inside an internal control system. The COSO Enterprise Risk Management Framework was introduced by the committee in the year 2017. The primary objective of the COSO ERM Framework is to facilitate businesses in comprehending and assigning priority to risks, while establishing a robust connection between risk, strategy, and business performance. The internal control practices have five components, each of which constitutes an essential element of the management process and assumes a significant role in departmental internal control procedures. The framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 outlines five key components that encompass internal control measures. In order for internal control processes to be effective, it is imperative that the five components of internal control are planned, implemented, and operated in a cohesive and integrated manner. The five primary constituents of internal control procedures encompass the control environment, risk assessment, control activities, information and communication, and monitoring.

2.2.1 Control Environment

The control environment is characterized by the prevailing attitude and expectations set by top management in relation to the desired level of behavior and the significance of internal control mechanisms. The components of this entity encompass the company mission, organizational culture, standards, management philosophy, integrity, ethical principles, operating style, and dedication to organizational competency. The control environment establishes a framework for implementing comprehensive control processes in order to assure the efficacy of the internal control system. According to Noorevee (2006), the presence of a relaxed management tone increases the likelihood of fraudulent financial reporting. The organization exhibits a strong dedication to upholding principles of integrity and ethical conduct. The board of directors exhibits autonomy from executive management and exercises supervision over the establishment and effectiveness of internal control systems. Management, under the supervision of the board, sets structures, reporting lines, and assigns appropriate authorities and tasks in order to achieve objectives. The organization exhibits a dedication to attracting, cultivating, and retaining proficient individuals in accordance with its objectives. The organization ensures that individuals are held responsible for fulfilling their internal control obligations in order to achieve objectives. The control environment within an organization is established by the board of directors and management. This is achieved by the implementation of policies, procedures, processes, standards, and structures. These elements serve as the foundation for the execution of internal controls within the firm. Understanding an organization's control environment holds significant importance. The process of determining the knowledge and abilities necessary for each position is undertaken by management, who subsequently construct the job descriptions for these roles. In addition, the business has implemented a meticulously structured hiring procedure and performance assessment system to guarantee the competence of new recruits and existing employees in carrying out their designated responsibilities and contributing to the organization's attainment of its goals (Carrtegra, 2016).

2.2.2 Risk Assessment

Risk assessment is a systematic procedure that involves the identification and analysis of potential hazards that pose a threat to the achievement of objectives. It also includes the determination of appropriate strategies and measures for managing these risks. When management identifies risks, it is imperative to thoroughly analyze all potential implications associated with them. Risk assessment is a methodical procedure that involves the incorporation of expert opinion regarding potential adverse circumstances and occurrences, as well as the evaluation of the probability of potential losses, both monetary and non-monetary, that may arise as a consequence of these events (Douglas, 2011). The company establishes clear objectives that facilitate the identification and evaluation of risks associated with those objectives. The company conducts an identification and assessment of changes that have the potential to significantly impact the internal control system. The framework for internal control in banking organizations (1998) asserts that a successful risk assessment process involves the identification and evaluation of both internal and external factors. Internal factors encompass elements such as the organization's structural complexity, the nature of its activities, the competence of its personnel, organizational changes, and employee turnover. External factors include fluctuating economic conditions, industry changes, and technological advancements. The purpose of considering these factors is to determine their potential negative impact on the bank's objectives. The bank is required to evaluate whether it should accept or mitigate manageable risks through the implementation of control procedures.

2.2.3 Control Activities

Control activities refer to systematic mechanisms that are put in place through the implementation of policies and procedures. These mechanisms are designed to address potential threats to a firm, assure compliance with management's instructions, and facilitate the achievement of the entity's objectives. Control activities encompass all operational functions across many levels within an organization. Management constructs control operations with the objective of achieving effectiveness and efficiency. The organization strategically chooses and cultivates control actions that effectively reduce risks to a satisfactory extent, hence safeguarding the attainment of objectives. The organization engages in the process of selecting and developing control activities that are designed to effectively manage technology and contribute to the attainment of organizational objectives. The effectiveness and strength of control efforts are contingent upon the size and nature of the firm, as well as the risk assessment conducted by management.

The effectiveness of control efforts is maximized when they are perceived by management and all staff members as an inherent component of the bank's everyday operations, rather than as an external supplement. When controls are perceived as supplementary to routine activities, they are frequently regarded as less significant and may be neglected in circumstances where persons experience time constraints and feel compelled to finish tasks promptly. Furthermore, the implementation of controls that are seamlessly integrated into daily operations facilitates prompt reactions to dynamic circumstances and mitigates avoidable expenses. In order to cultivate a suitable control culture within the bank, it is imperative for senior management to ensure that sufficient control activities are seamlessly integrated into the everyday operations of all pertinent staff members (CIMA, 2023).

2.2.4 Information and Communication

In order to facilitate the effective operation of various components within the internal control system, it is imperative to get pertinent, up-to-date, and dependable information pertaining to both financial and non-financial aspects from both external and internal sources. Effective communication facilitates the dissemination of high-quality information to the appropriate recipient. Efficient internal communication facilitates the seamless transmission of high-quality information inside the business, enabling its dissemination in both vertical and horizontal directions. In the context of external communication, management has the ability to obtain information pertaining to prospective risks, regulatory issues, and shifts in business trends. An essential aspect to consider is the timely dissemination of reliable information.

The organization engages in communication with external entities regarding issues that impact the operational effectiveness of internal control components. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013), it is recommended that organizations utilize diverse internal information systems and reporting methodologies to facilitate comprehension of processes, controls, tasks, and individual accountabilities. This implies that individuals are able to effectively fulfill their internal control obligations when pertinent information can be recognized and promptly disseminated within the firm.

2.2.5 Monitoring Activities

Monitoring refers to the systematic and regular assessments conducted to validate the existence and effectiveness of the five components of internal control, as well as the controls that impact the principles within each component (Foster, 2019). The monitoring of internal controls is a crucial activity that evaluates the effectiveness and efficiency of the system's performance over a period of time. Managers possess a substantial level of expertise in the activities of a business and are actively engaged in its operations. This places them in a favorable position to detect deviations from anticipated outcomes and possible mistakes in the financial information that is reported.

The implementation of ongoing monitoring operations has the benefit of promptly identifying and rectifying any shortcomings within the internal control system. The effectiveness of monitoring is optimized when the internal control system is seamlessly incorporated into the operational context and generates periodic reports for evaluation. Ongoing monitoring encompasses several activities, such as the meticulous examination and endorsement of journal entries, as well as the comprehensive assessment and endorsement of reports by management. On the other hand, it is important to note that separate assessments tend to identify issues retrospectively. Nonetheless, these evaluations offer organizations the opportunity to conduct a thorough and unbiased assessment of the internal control's efficacy, particularly in relation to monitoring operations.

The evaluation of internal control is frequently conducted through self-assessments, wherein individuals accountable for specific functions analyze the efficacy of controls inside their respective activities. Senior management reviews both the documentation and the results of the evaluations. According to CIMA (2023), it is essential to ensure that all levels of review are thoroughly recorded and reported in a timely manner to the relevant management reports.

2.3 Concept of Fraud

Adeyemo (2012) provides a definition of fraud as an unlawful action that involves the use of deceit, concealment, or the breach of trust. These actions do not rely on the utilization of intimidation, aggression, or physical coercion. In contrast, according to Mutesi (2011), fraud can be characterized as a deliberate action of illegal deception, manipulation, or fabrication committed by an individual or a collective entity with the aim of distorting reality in order to gain an unfair financial benefit. According to Osisioma (2013), fraud encompasses a wide range of methods that individuals employ to gain an advantage over others, utilizing their inventiveness and resourcefulness. It encompasses several strategies such as surprise, manipulation, deceit, and unjust tactics employed to mislead another individual.

The concept of fraud has been extensively defined in academic literature by scholars and specialists. According to Hornby (2009), fraud can be defined as the deliberate act or occurrence of deceiving someone with the intention of acquiring financial gain or unlawfully obtaining goods. According to the ICAN research Pack (2006), fraud encompasses the utilization of deceitful tactics to acquire an unfair or unlawful financial benefit, as well as deliberate misrepresentations that impact the financial accounts, including one or more individuals from management, staff, or third parties.

According to Robertson (1996), employee fraud can be described as the utilization of deceitful methods to misappropriate funds or other assets from an employer. Typically, it encompasses acts of deception, such as the fabrication of documents, dishonesty, surpassing prescribed limits of authority, or contravening an employer's regulations, as well as the misappropriation of an organization's financial resources. The likelihood of encountering employee fraud increases in situations where there are deficiencies in internal controls.

Numerous factors have been recognized as contributing causes of fraudulent activities within banking institutions. The causes of these variations encompass a range of factors, including institutional, economic, social, psychological, legal, and infrastructural influences. According to Ogbunka (2002), the primary factors contributing to instances of fraud can be attributed to several immediate causes. These causes encompass the presence of opportunities that facilitate fraudulent activities, deficiencies in internal controls such as insufficient authorization, absence of segregation of duties, unclear reporting structures, and inadequate documentation. Additionally, the overriding of internal controls by management, the absence of inadequacy of ethical standards and business policies, and a pervasive desire for material wealth also contribute to the occurrence of frauds. Insufficient training provided to bank workers, among other factors.

Fraud prevention encompasses the establishment of effective division of tasks, diligent supervision of personnel, continuous monitoring of work performance, and implementation of steps to ensure appropriate control even in instances where systems are accessed (Kimani, 2011). According to Prabowo (2012), it is imperative to conduct daily surveillance of transactions to identify any atypical activities.

According to Prabowo (2012), the promotion of fraud awareness can be further strengthened by organizing seminars and training events in partnership with banks and other financial institutions. These events would focus on topics such as strategies for preventing fraud and procedures for conducting investigations. The training of staff plays a crucial role in the management of risks, since personnel who receive comprehensive training in risk management are more adept at recognizing potential hazards to the company resulting from inadequate or absent internal controls (Rae & Subramaniam, 2008). The identification of customers is a crucial aspect of compliance, necessitating financial institutions to thoroughly review their existing records, monitor transactions, and ensure that both senders and recipients are not included on any blacklists (Hardouin, 2009).The theory of the fraud triangle was first proposed by Cressey (1973) and is grounded in the hypothesis that individuals who are trusted can become violators of that trust when they perceive themselves to be facing a financial problem that cannot be shared with others. These individuals are aware that this problem can be covertly resolved by exploiting their position of financial trust. Furthermore, they possess the ability to rationalize their own behavior in such a way that allows them to reconcile their self-perception as trusted individuals with their actions as users of the funds or property that has been entrusted to them (Akelelo, 2012).

The Fraud Triangle Theory describes the key factors that motivate individuals to engage in fraudulent activities. The concept of the fraud triangle encompasses three primary elements that are inherent in all instances of fraud: (a) perceived pressure, (b) opportunity, and (c) rationalization. According to Ruankaew (2013), the occurrence of fraud is contingent upon the presence of the aforementioned characteristics, and the severity of the fraudulent act is determined by the potency of these aspects. The elements will be elucidated in the subsequent sections, each accompanied by its respective heading.

(i) Perceived Pressure for Committing Fraud in Financial Institutions

The concept of pressure in the context of fraud might be compared to the underlying motivation that compels individuals to engage in fraudulent activities. Pressure can manifest in personal circumstances that generate a need for increased financial resources. These circumstances may encompass vices such as drug addiction or gambling, as well as life events like the loss of employment by a spouse. In certain instances, the emergence of pressure can be attributed to workplace issues, whereby the presence of unattainable performance goals may serve as a catalyst for engaging in fraudulent activities. Motivators can also encompass non-monetary incentives. In the professional context, individuals may encounter significant pressure to achieve favorable outcomes or face the necessity of concealing subpar performance by others. According to Ruankaew (2013), individuals may be driven to engage in fraudulent activities due to addictions, such as gambling and drug abuse.

(ii) Opportunity for committing fraud

Identifying the aspect of opportunity inside the Fraud Triangle might be challenging, although it can be effectively managed through the implementation of organizational or procedural modifications. The potential for fraudulent activities arises when personnel possess the means to perpetrate and hide fraudulent acts through their access to assets and information. In the routine execution of their job responsibilities, employees are granted authorization to access records and valuables. Regrettably, the provision of such access enables individuals to engage in fraudulent activities. Over the course of time, managers have assumed a broader scope of responsibility encompassing a diverse array of people and responsibilities. Consequently, this phenomenon has resulted in an increased level of accessibility and enhanced authority over operational domains within organizations. According to the Lebanese Association of Certified Public Accountants (LACPA, 2009), it is imperative to restrict access exclusively to the systems, information, and assets that are genuinely essential for an employee to fulfill their work responsibilities.Opportunity arises as a result of inadequate internal controls, insufficient management supervision, or the exploitation of one's position and authority. According to Ruankaew (2013), the absence of effective protocols for identifying fraudulent behavior also amplifies the likelihood of fraudulent incidents. Instances of fraudulent behavior perpetrated by individuals leveraging their position and power often occur in situations characterized by inadequate or nonexistent internal controls, as well as insufficient managerial supervision. The likelihood of engaging in fraudulent activities is heightened as a result of workforce reductions and inadequate staffing levels, which undermine or destroy internal control mechanisms.

Rationalization of committing fraud in financial institutions

Rationalization encompasses two distinct facets: (1) The individual engaging in fraudulent activities must assess that the advantages derived from such behavior beyond the likelihood of being detected. The individual engaging in fraudulent activities must provide a rationale for their fraudulent behavior. Justification may be associated with factors such as work unhappiness, felt entitlement, a future intention to restore the victim's well-being, or the preservation of one's family, belongings, or social standing. The identification of rationalization can be achieved through the careful examination of the fraudster's verbal expressions or behavioral dispositions (LACPA, 2013). Rationalization entails an individual's process of aligning their actions with prevailing societal standards of morality and reliability. Individuals who possess a general inclination towards dishonesty may find it comparatively simpler to justify engaging in fraudulent activities. Individuals who possess elevated moral principles may encounter challenges in navigating this matter. Fraudsters engage in a cognitive process wherein they rationalize and justify their fraudulent actions by constructing various "excuses" to convince themselves that such activity is morally acceptable. Frequent justifications encompass the act of compensating for inadequate remuneration or substituting for a merited but withheld bonus. A perpetrator may rationalize their actions by perceiving their act as a temporary loan from the organization, with intentions to eventually repay the funds. Certain individuals who engage in embezzlement rationalize their actions by convincing themselves that the company in question either possesses surplus funds or will not experience any adverse consequences due to the misappropriation of assets. There is a viewpoint held by certain individuals that justifies the misappropriation of funds from the firm on the grounds of perceived wrongdoing committed by the company against its employees.

2.4 Concept of Financial Performance

The financial performance analysis aims to assess the financial strengths and weaknesses of a corporation by effectively creating a correlation between the components of the statement of financial position and the statement of comprehensive income. Dixon (1990) posits that performance indicators that are deemed appropriate are those that facilitate organizations in aligning their actions with the pursuit of their strategic objectives. The primary objective of banks is to maximize profitability. All activities undertaken are aimed towards achieving this overarching goal. The financial performance of an organization was assessed using profitability metrics such as Return on Asset (ROA), Return on Equity (ROE), and Net interest margin (NIM). These metrics were employed as indicators of the business's financial performance.

The Return on Assets (ROA) is a metric that serves as a measure of managerial efficiency, specifically reflecting the ability of management to effectively transform assets into net earnings. Return on assets (ROA) is a significant metric utilized to assess the profitability of a firm. The metric under consideration is the ratio of post-tax net income to total assets. Additionally, it assesses the capacity of the organization's management to create revenue through the effective utilization of available assets (Rufai, 2013).

Return on assets (ROA) is a commonly utilized metric for evaluating the performance of a certain organization. An upward trend in the return on assets (ROA) signifies enhanced operational efficiency, whereas a declining ROA implies that a corporation may be allocating excessive resources towards equipment and other assets in comparison to the revenues generated from such expenditures. ROA can be utilized by investors or management as a metric to evaluate the overall financial well-being of a firm, thereby gauging its operational efficiency and competitive standing. ROA is frequently employed by investors as a criterion for determining the viability of investing in a company and assessing its comparative potential for generating returns within its industry (Business Insider, 2023).

The Return on Equity (ROE) is a financial performance metric that is determined by dividing the net income by the shareholders' equity. The return on equity (ROE) is regarded as the measure of return on net assets, as it is derived from the difference between a company's assets and its debt, which is known as shareholders' equity. The Return on Equity (ROE) metric is often regarded as an indicator of a company's profitability and its ability to generate profits efficiently. A company's management demonstrates greater efficiency in generating income and growth from its equity funding as the return on equity (ROE) increases. The Return on Equity (ROE) is a significant financial measure that serves as an indicator of an organization's performance. Therefore, a positive correlation exists between the return on equity (ROE) and the financial institutions' ability to generate profits. The ratio under consideration is the quotient obtained by dividing the net income after taxes by the entire equity capital (Techtarget, 2023).

The utilization of return on equity (ROE) proves to be advantageous in the evaluation of a company's profitability in relation to its industry rivals. Calculating the average return on equity (ROE) for a specific period, such as 5 or 10 years, can offer valuable insights into a company's historical growth trajectory. The utilization of five-year average Return on Equity (ROE) analysis within a certain industry facilitates the identification of companies that possess a competitive edge and possess the capacity to generate value for their shareholders. The Return on Equity (ROE) is commonly denoted as a percentage, however it is occasionally referred to as a ratio. According to Techtarget (2023), net income is reported in the company's income statements, while shareholders' equity, representing the disparity between total assets and total liabilities, is presented in the company's balance sheet.

The term "NIM" refers to the ratio of net interest income to total earnings assets. The metric is commonly denoted as a percentage, representing the financial institution's earnings on loans and other assets, net of interest paid on borrowed funds, divided by the average amount of assets generating income for a certain time period (referred to as average earning assets). The metric in question quantifies the disparity between the interest revenue generated by a bank from loans and securities, and the interest expenses incurred from borrowed funds (Khrawish, 2011).

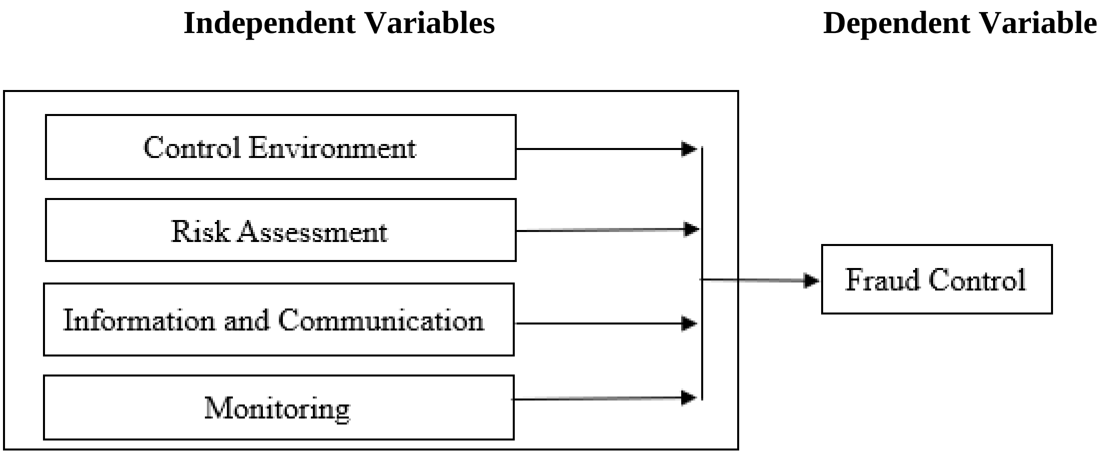
The net interest margin represents a measure of profitability. The analysis involves the comparison of the net interest income generated by a financial institution with the interest payments it disburses. This communication is intended for those who possess savings accounts and certificates of deposit. Additionally, it aids prospective investors in determining the suitability of investing in a financial services company. This is achieved by the provision of comprehensive insights into the profitability of its interest income. This is in reference to the comparison between the entity's interest expenses. In essence, a positive net interest suggests a high probability of corporate profitability. In the event that a negative net interest arises, a firm has the ability to implement remedial measures. This involves allocating financial resources towards the existing debt. In the realm of banking, central banks establish a monetary policy that exerts an influence on a bank's net interest margin (Freshbooks, 2023).

2.5 Previous Research Studies

This section aims to develop a conceptual framework for the analysis of internal control methods, fraud prevention, and financial performance. Hence, the study incorporates all the pertinent variables utilized in the four preceding research papers. The present study examines the utilization of internal control systems as a mechanism for mitigating fraudulent activities inside deposit-taking financial institutions in the Imenti North Sub-County. Nyakarimi and Karwirwa (2015) conducted a study on the views of the internal control system and financial performance in commercial banks in Ethiopia. Worku (2018) also explored this topic in his research. The study titled "The Impact of Fraud Risk Management on the Financial Performance of Non-Governmental Organizations in Nairobi and Kanana (2018)" examines the relationship between fraud risk management and the financial performance of non-governmental organizations in the aforementioned locations. In the study conducted by Wangu (2021), the focus lies on the examination of the relationship between fraud risk management approaches and financial performance within the context of Savings and Credit Cooperative Organizations (SACCOs) in Kenya.

In this study, Nyakarimi and Karwirwa (2015) examined the utilization of internal control systems as a mechanism for mitigating fraud among deposit-taking financial institutions located in Imenti North Sub-County. The primary aim of this study is to examine the correlation between the internal control system and fraud control inside deposit-taking financial institutions. This study employed control environment, risk assessment, information and communication, and monitoring components as the independent variables, while fraud control was considered as the dependent variable. This study employed descriptive statistical methods and correlation analysis to ascertain the findings. The conceptual paradigm depicted in Figure 2.1 is being presented.

Figure (2.1) Internal Control System as Means of Fraud Control in Deposit Taking Financial Institutions in Imenti North Sub-County

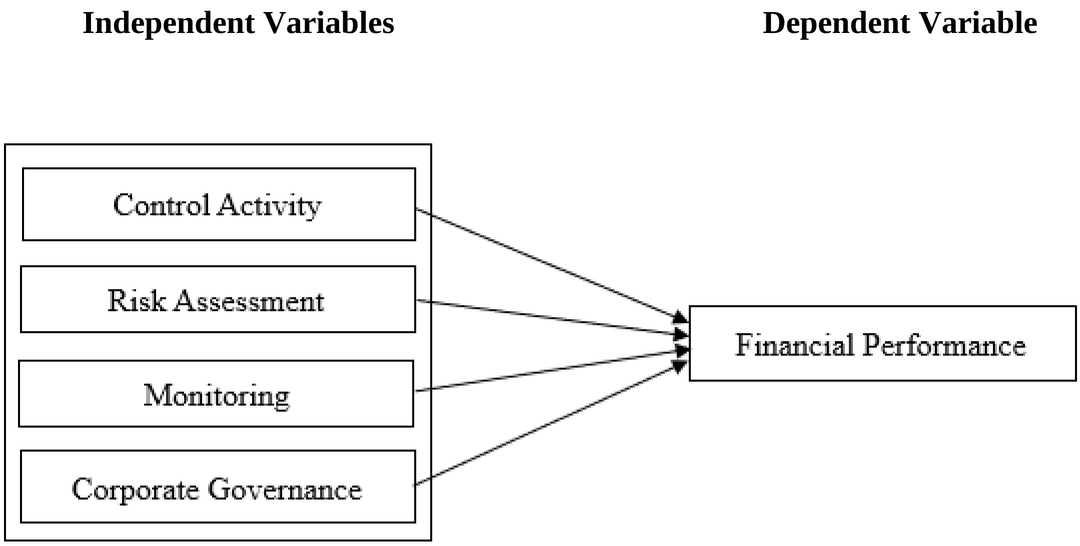


Source: Nyakarimi and Karwirwa, 2015

This study examines the internal control system as a mechanism for fraud control in deposit accepting financial institutions in Imenti North Sub-County, as seen in Figure 2.1. This study utilized a sample of 92 respondents, randomly selected from a population of 120. The research conducted revealed a statistically significant beneficial relationship between internal control systems and fraud control in deposit-taking financial institutions within the Imenti North Sub-County.

In a study conducted by Worku (2018), the focus was on examining the perceptions regarding internal control systems and their impact on financial performance within the context of commercial banks in Ethiopia. The primary aim of this suggested study is to investigate the perception of the internal control system's impact on the financial performance of commercial banks in Ethiopia. This study employed control environment, risk assessment, monitoring, and corporate governance elements as independent variables, while financial performance was considered as the dependent variable. This study included descriptive statistics and regression analysis as analytical techniques. The conceptual paradigm depicted in Figure 2.2 is presented.

Figure (2.2) Internal Control System and Financial Performance; Evidence from Commercial Banks in Ethiopia

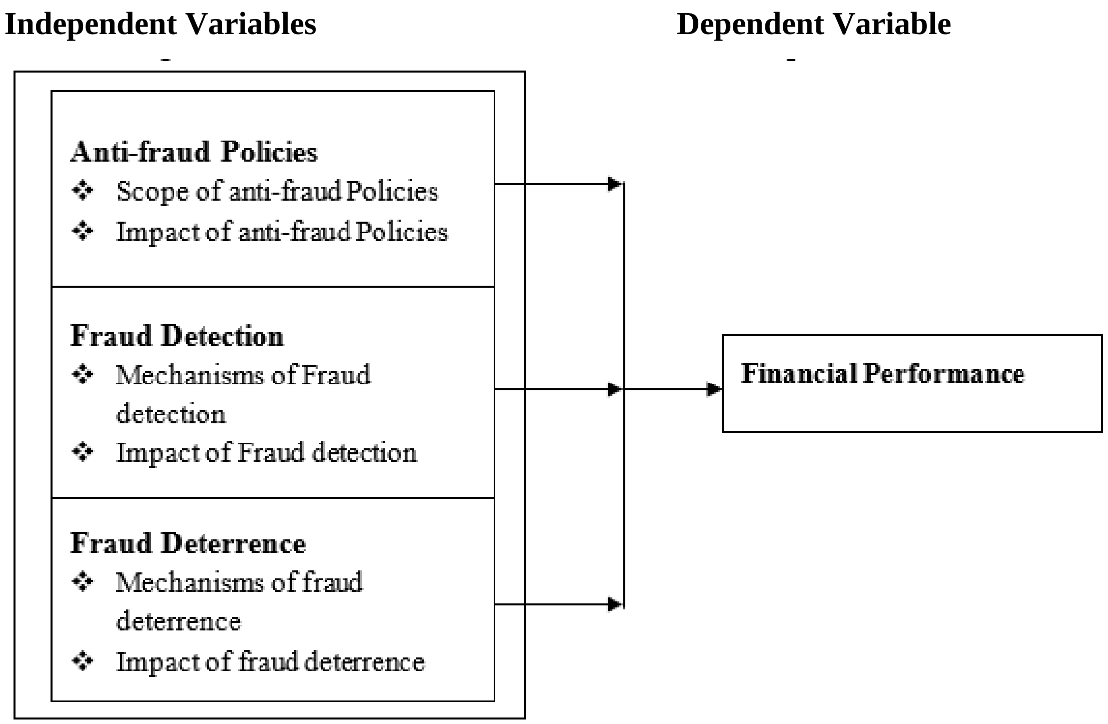


Source: Worku, 2018

Based on Figure 2.2, Worku (2018) provided a description of the relationship between perceptions of the internal control system and financial performance in commercial banks in Ethiopia. The research methodology employed in this study was a mixed research strategy. The study employed a quantitative approach by conducting a survey among staff from eight commercial banks in Ethiopia. The survey encompassed a sample of 240 employees from several departments including internal audit, finance, and internal control. The response rate for the survey was 90%. The collection of survey data was facilitated through the utilization of a standardized questionnaire. The control activity, risk assessment, and corporate governance have a major positive impact on financial performance.

The study conducted by Kanana (2018) examined the impact of fraud risk management on the financial performance of non-governmental organizations in Nairobi. The primary objective of this study is to assess the impact of fraud risk management on the financial performance of non-governmental organizations in Nairobi. This study employed anti-fraud policies, fraud detection, and fraud deterrence factors as the independent variables, while financial performance was considered the dependent variable. This study employed descriptive statistical analysis, as well as regression and correlation analysis, to ascertain the findings. The conceptual paradigm depicted in Figure 2.3 is presented.

Figure (2.3) Effect of Fraud Risk Management on Financial Performance of Non-Governmental Organizations in Nairobi County

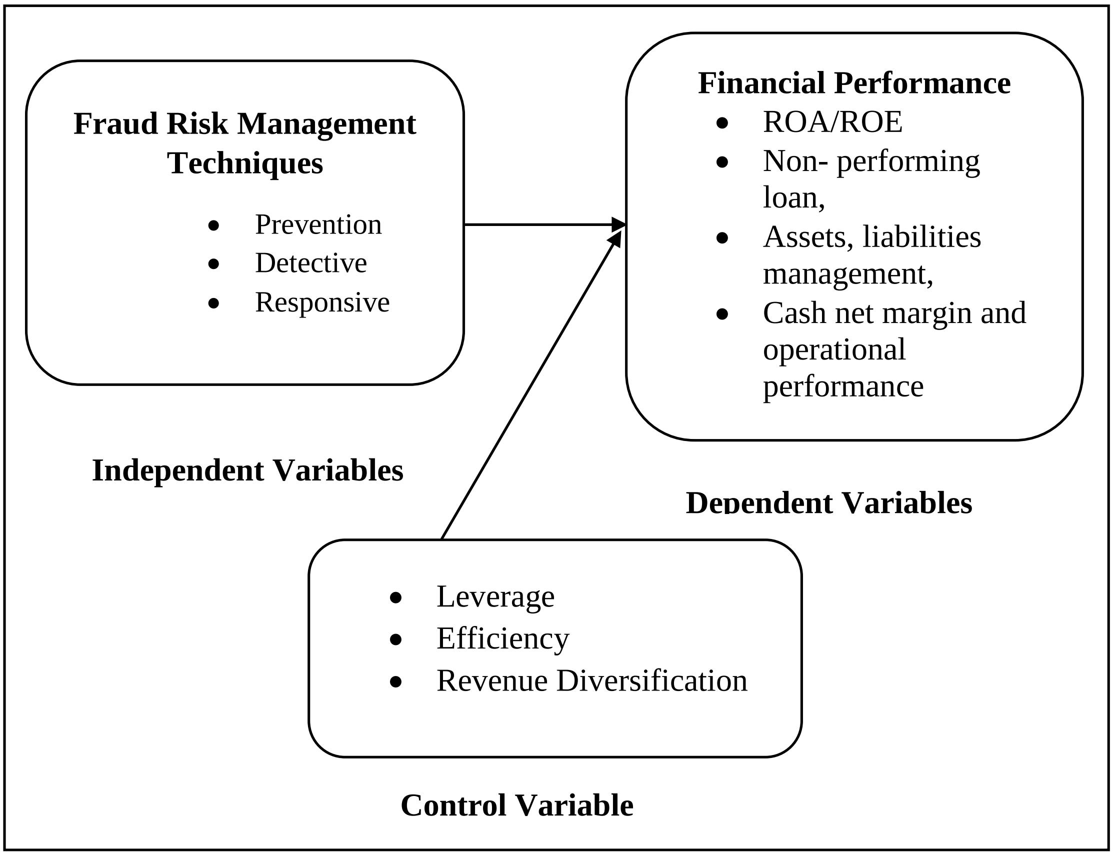


Source: Kimathi Betty Kanana, 2018

Based on the findings shown in Figure 2.3, the impact of fraud risk management on the financial performance of non-governmental organizations was examined. The data was obtained from a randomly selected sample of 170 finance managers employed by registered and compliant non-governmental organizations (NGOs) in Nairobi. The study employed a stratified random sampling technique, whereby the population was separated into three strata based on financial criteria: large, medium, and small non-governmental organizations (NGOs). In general, the researcher has reached the conclusion that anti-fraud strategies, fraud deterrent, and fraud detection have a substantial impact on the financial performance of non-governmental organizations (NGOs) situated in Nairobi.

In a recent study conducted by Wangu (2021), the focus was on examining the relationship between fraud risk management approaches and financial performance within the context of Savings and Credit Cooperative Organizations in Kenya. The primary aim of this study was to examine the impact of fraud risk management approaches on the financial performance of Savings and Credit Cooperative Societies (SACCOS) in Kenya. In this study, the independent variables consisted of fraud risk management approaches encompassing prevention, detection, and response aspects, while the dependent variable was financial performance. Descriptive research methodologies were employed in this study to ascertain the findings. The conceptual paradigm depicted in Figure 2.4 is being presented.

Figure (2.4) Fraud Risk Management Techniques and Financial Performance: the Case of Savings and Credit Cooperative Organizations in Kenya



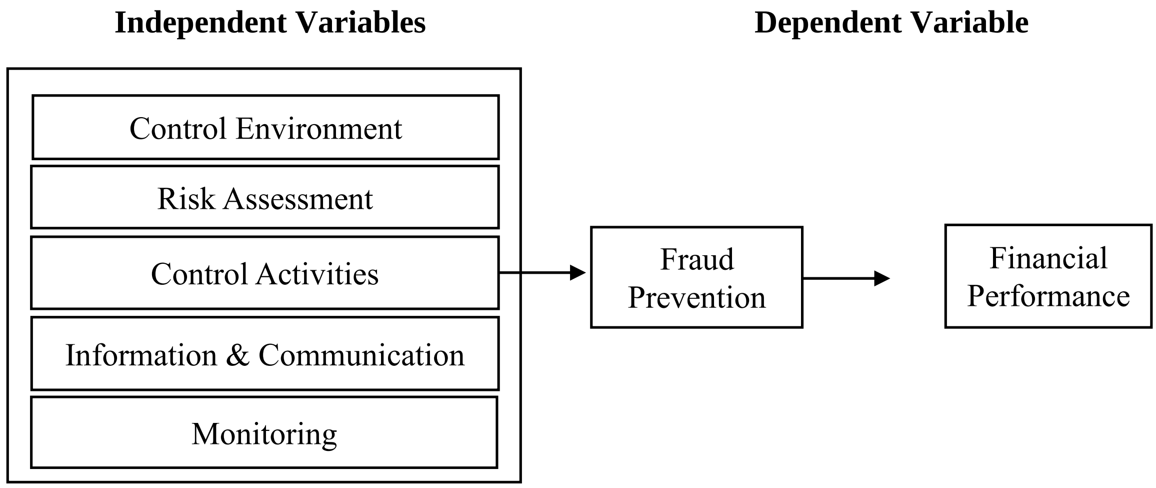
Source: Wangu, 2021

According to the Figure (2.4), Wangu (2021) investigated the fraud risk management techniques and financial performance: the case of Savings and Credit Cooperative Organizations in Kenya. The data was collected from a random sample of 545 SACCOS, 176 deposit taking and 370 Non-deposit taking SACCOS. This study found that the fraud risk management techniques are positively significant effect on financial performance of Savings and Credit Cooperative Organizations in Kenya.

2.6 Conceptual Framework of the Study

This study was based on the above theoretical background, literature review, and previous models. By adapting the four previous conceptual frameworks above, the conceptual framework of the study is developed. Figure (2.4) presents the conceptual framework of the study.

Figure (2.5) Conceptual Framework of the Study



Source: Own Compilation, 2023

From the above Conceptual Framework, the study proposes that the components of internal control practices are control environment, risk assessment, control activities, information and communication, and monitoring as independent variables. They are used to analyze the effect of influencing factors of fraud prevention. Moreover, to assess the effect of fraud prevention on financial performance, fraud prevention is used as the independent variable while financial performance is used as dependent variable in this study.

Based on the literature and previous studies, the working definition of internal control practices and financial performance of the bank are defined as follows:

Control Environment in this study refers to the set of policies, procedures, and organizational structures that serve as the foundation for the implementation of internal control within an organization.

Risk Assessment in this study refers to a systematic procedure that includes identifying, evaluating, and minimizing potential issues and threats.

Control Activities in this study refer to policies and processes that help ensure management directions are carried out including range of activities such as approvals, authorizations, verifications, etc.

Information and Communication refers to internal communication by disseminating information throughout the organization, flowing up, down, and across the entity.

Monitoring in this study refer to determine whether or not the internal controls have been developed sufficiently, correctly performed, and are effective at any particular moment in time.

Fraud Prevention in this study refer to the process and/or measures taken by businesses to protect themselves and their customers from fraudulent activities. This can include everything from implementing anti-fraud policies and procedures to using software that detects and prevents fraudulent activity.

Financial Performance in this study refer to financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period.

CHAPTER 3
INTERNAL CONTROL PRACTICES, FRAUD PREVENTION AND FINANCIAL PERFORMANCE OF "A" BANK

This chapter aims to present about the internal control practices, fraud prevention and financial performance of "A" Bank in Myanmar. It is presented in five sections. The first section is to present the profile of "A" Bank in Myanmar. Second section is to describe the organizational structure of "A" Bank. Third section is to present about the internal control practices of "A" Bank. The fourth section is to follow as the implementation of fraud prevention of "A" Bank. And, final section is to describe the financial performance of "A" Bank in Myanmar.

3.1 Profile of "A" Bank in Myanmar

Ayeyarwaddy Farmers Development Bank, well known as "A" bank, a public company limited was formed on December 22nd, 2014 under the 3/2014 Financial Law ratified on July 30th, 2014 by the Central Bank of Myanmar. "A" bank is running nationwide commercial banking operations under licenses authorized by the Central Bank of Myanmar. "A" bank was formed by a set of companies specialized in agriculture businesses throughout the supply chain.

The main purpose of "A" bank is to bring development in ago-based industry through value chain financing i.e. increasing the access of finance at every stage of value chain starting from production to consumption. Building on strong financial, compliance & regulatory foundation, "A" bank is providing services that make customers' daily lives easier and business transactions more efficient. Established in 2014, now serves customers from a growing network of over 42 branches in 15 townships across Myanmar. "A" bank provides a wide range of financial services including consumer banking, premier banking, SME banking, corporate banking, trade finance and treasury services.

The Ayeyarwaddy Farmers Development Bank started with the interactions of banking services to the developing banking industry in Myanmar. The bank is to provide top-quality banking services to local people and currently provides the banking services such as, Personal Banking, Business Banking, Digital Banking, International Banking. "A" bank also intends to support SME development and "Financial Inclusion of Unbanked Population by delivering technology-enabled, diversified banking products and services through multi-channels approach. The strategies of “A” Bank is to become a better bank and are now in a strong position to build tomorrow bank today for customers. Sustainable Support for Myanmar’s Recovery & Revitalizing Economic Growth Supporting customers helps build a better future together.

Distinguished value propositions for customers through the extensive network of partnerships. A+ mobile wallet is digital initiatives enabling “A” bank services to be part of customers’ daily lives and expanding financial inclusion efforts for country. Building on strong financial, compliance & regulatory foundation, A bank is providing services that make customers’ daily lives easier and business transactions more efficient. The seven core values are as follows: trust, care, empowerment, agility, and innovation. Trust is the important of banking operations, building consistency in every transaction and every interaction and reinforced over time with great responsibility. Embrace diverse backgrounds and experiences to make “A” Bank stronger. Empowerment to build long-lasting relationships and bring out the best in each other. Mentorship is the cornerstone of efforts for empowerment in the workplace.

To drive the flow of value to the market with agility in culture, leadership, strategy, and governance respond quickly and effectively to market changes and emerging opportunities. “A” bank uses great investment of time, resources, and a willingness to change to innovate. This takes the long view in approach and ensures and makes a difference for those making a difference.

The vision and mission of Ayeyarwaddy Farmers Development Bank are as follows;

Vision

To become an innovative and dynamic bank in Myanmar with strong commitment to cultivating and sustainable outcomes for all stakeholders.

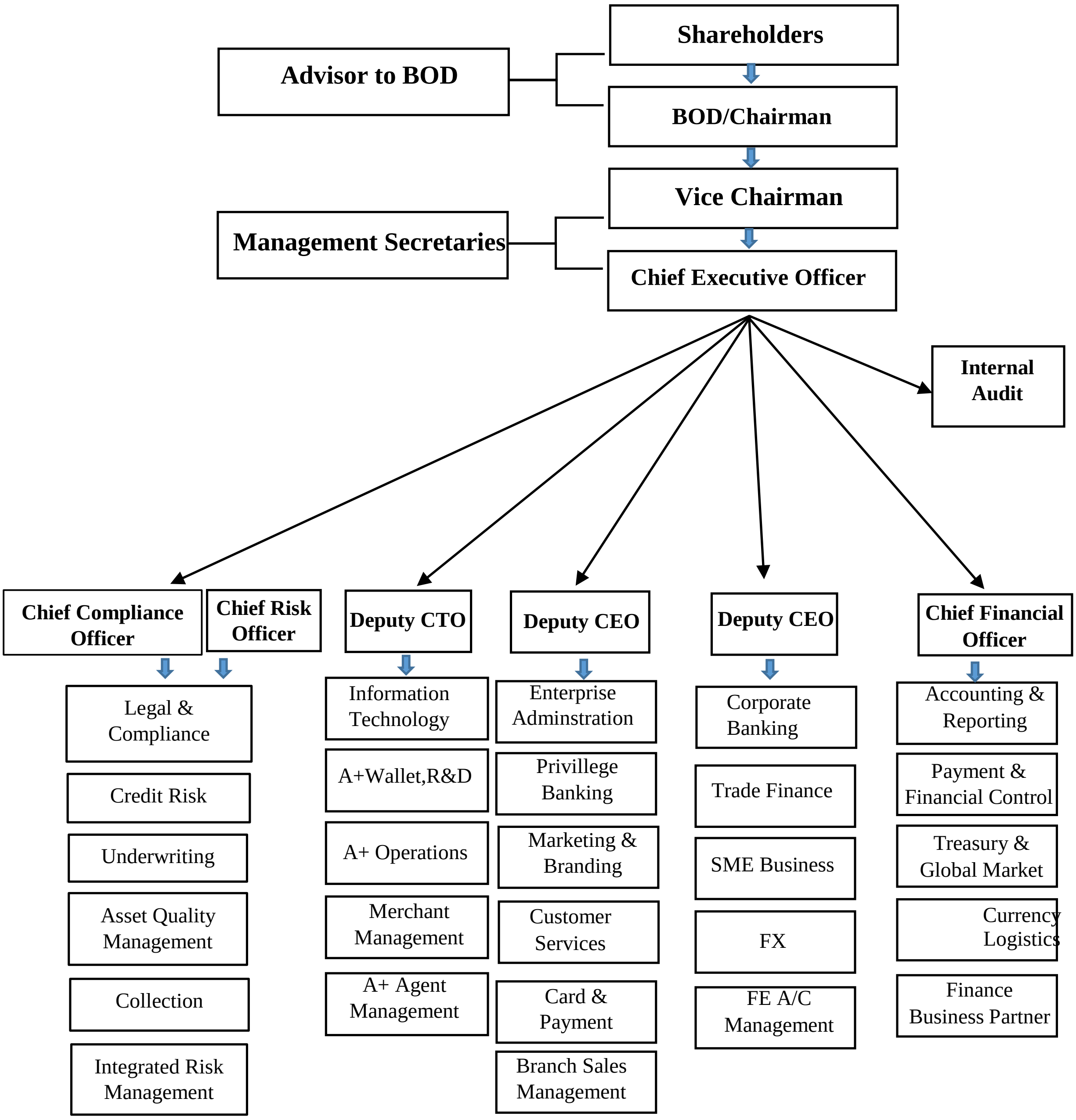
Mission

- To deliver authentic, accessible, adjustable, advanced and accommodating products and services.
- To employ asset-light, cost-efficient and digital-driven approach.
- To leverage a network of local and international partners to deliver positive impacts.
- To strengthen National Financial Inclusion Efforts with providing accessible and equal financial opportunity for all underserved populations through innovative channels.

3.2 Organization Structure of 'A' Bank

Ayeyarwaddy Farmer Development Bank has a proper organizational structure which is shown as below.

Figure (3.1) Organization Chart of Ayeyarwaddy Farmers Development Bank



Source: "A" Bank, 2023

The Board of Directors sits on the top of the organization chart which directly goes down to Chief Executive Officer. The Chief Executive Officer is supported by Chief Finance Officer, Two Deputy Chief Executive Officers, Chief Operating Officer in second tier. The Bank Management Board includes eight members. The Bank has one Chairman, Two Vice Chairman, one Chief Executive Officer, one Chief Operating Officer, one Chief Information Officer, two Executive Directors, ten General Managers and twenty-seven Heads of Departments to its respective department. The number of Bank's Employees reached total (1500) persons at the end of December 2023. The Bank's Management and organizational structure are shown in Figure (3.1).

Led by the Chief Appliance Officer, in cooperation with Legal and Compliance Department, Collection Department, Currency Logistic Department, Internal Audit Department, Customer Service Department, Branch Sale Management Department, they conduct surprise checks on bank branches to reduce frauds. The Chief Risk Officer, Credit Risk Department, Asset Quality Management, Payment and Financial Control Departments work together to reduce frauds when checking loans. In cooperation with the CEO, CFO, Marketing and Branding, Enterprise Administration, Information Technology, Internal Audit, they work to reduce Frauds by purchasing the necessary items for the bank with the decision of the Board.

3.3 Financial Service of "A" Bank

The bank aims to provide as many financial services as possible for the convenience and satisfaction of bank's customer. Currently, financial services offered by the Ayeyawaddy Farmers Development Bank are shown in Table (3.1).

Table (3.1) Financial Services Provided by Ayarwaddy Farmers Development Bank

No.	Financial Services	Categories
1	Deposit Management	Current Account
		Saving Account
		Fixed Account
		Special Account
		Foreign Currency Account
2	Loans	Loans
		Overdraft
		Hire Purchase
		Corporate Staff Loan
		Housing/ Mortgage Loan
3	Remittance	Domestic Telegraphic Transfer
		Outward Remittance
4	Cash Collection	Cash Collection from Corporate customers
5	Other Services	Bank Guarantee
		Money Changer
		Foreign Banking

Source: "A" Bank, 2023

Financial services provided by of Ayeyawaddy Farmers Development Bank can divided into five categories such as deposits management which include current account, saving account and fixed account. Cash services include collection. Overdraft loans and housing mortgage loan services are available under bank loans. Other services such as bank guarantee, Money changer, hire purchase are also provided by of Ayeyawaddy Farmers Development Bank. Its remittance services are offered for Domestic Telegraphic Transfer and Payment.

The bank is now providing money changer service in Yangon, Mandalay. The maximum amount of foreign currency that banks' money changers can exchange is 10,000 USD requiring no documents the exchange rates for those money changers are set by the Central Bank of Myanmar. Daily exchange rates are also updated on A of Ayeyawaddy Farmers Development Bank's social networking page.

3.4 Core Banking System in "A" Bank

Until "A" Bank was founded in 2016 there were over 42 banks and big players in major cities were mostly dominated by the industry. Management has seen the new possibilities for banks around the globe and has opted to use the core banking system, the cornerstone of modern banking. The banking sector is expanding rapidly. In the past, what was a deposit-and-loaning network has become a full-service company delivering a range of services. However, it is a daunting task to implement a core banking system and many banks still hesitate to face up to this challenge. The enormous cost, time to complete, and cultural change are just a few of the obstacles a bank has to face. Core Banking is, to put it simply, an interconnected banking system that allows customers to carry out diverse banking activities from all over the world and to conveniently benefit from superior banking services.

Core banking systems can integrate many separate programs while reducing maintenance and operational costs. This allows banks to move to a shared services model and to cut costs to maintain traditional systems. Banks can handle a large volume of 22 clients without a lot of infrastructure and support without locating independent banking. Services such as centralized backup and printing also help to reduce costs, as separate systems in the branches need not be maintained.

The days have passed when people have had to attend bank branches and wait in long queues to carry out every form of banking. Today customers are getting a better banking experience without having to fly to bank branches by incorporating key banking systems. Core banking services offer banks services on a range of channels, including internet banking, mobile banking, ATMs, etc. Another explanation why banks use core banking services is to standardize processes. Core banking solutions simplify and simplify business processes end-to-end while making them smarter and more efficient. The time to launch new products is growing as a result. Bankers are able to minimize manual operations while avoiding human error by standardizing business processes. It helps banks to provide competitively priced products and to shift towards intelligent income growth.

"A" Bank and its management decided to use Core Banking System to improve employee efficiency, to minimize the cost of operation, to convenience to the customers, to improve customer retention rate and to standardize banking processes. The trends of the industry are always evolving and consumer expectations are changing. To order to remain competitive on the market, a bank must choose the best core banking strategy and pursue the necessary measures to successfully implement it. Happy customers are the cornerstones of “A” Bank. Core banking services allow banks to provide banking services on an individual basis, while increasing customer satisfaction.

3.5 Internal Control Practices of “A” Bank

The Corporate Governance Framework has been implemented to formalize the bank's management structure and policies. The effectiveness of internal control and risk management is enhanced when there is alignment between policies and their associated functions. A crucial component of any risk management plan entails the establishment and maintenance of a continuous system of internal controls.

The safeguarding of the bank's assets, the mitigation of risk, and the achievement of the bank's objectives have been facilitated by the implementation of internal controls, which encompass various practices, policies, procedures, and processes. Various techniques are employed, including task segregation, dual control, limit control, training, and staff rotation. Minimizing conflict of interest is of utmost importance through the establishment and maintenance of a distinct separation between front- and back-office operations. The internal control system of Bank A incorporates a diverse array of measures, encompassing both preventive and investigative protocols.

The Board of Directors, hereby referred to as the Board, acknowledges the necessity of assuming a proactive role in the establishment and maintenance of a robust and efficient risk management and internal control framework. The Board has implemented a framework to ensure that risks are effectively managed within the predetermined tolerance level in order to achieve the Bank's business objectives. This framework includes the establishment of comprehensive risk management measures, such as defining overall risk parameters and implementing effective risk mitigation strategies. Additionally, the Board is responsible for establishing suitable policies, procedures, and controls to manage these risks, as well as implementing mechanisms for the timely and accurate reporting of all matters pertaining to the functioning of the risk management system.

Financial institutions engaged in the practice of financial intermediation encounter a multitude of hazards, both financial and non-financial. These risks include credit risk, interest rate risk, foreign exchange rate risk, liquidity risk, equity price risk, commodity price risk, legal risk, regulatory risk, reputational risk, and operational risk, among others. The interdependence of these risks is significant, since events impacting one risk category can potentially have consequences for a variety of other risk domains. Therefore, the involvement of senior executives in banking institutions is crucial for enhancing their capacity to identify, assess, monitor, and manage the comprehensive spectrum of risks undertaken.

The risk assessments of "A" Bank are reviewed by the Board and management. It is the duty of management to create policies and procedures for effectively managing risks within the bank's risk tolerance. The individual's duties encompass the identification of risks that pertain to the Bank's operations and the attainment of its business goals. They are also responsible for formulating and executing policies and protocols to effectively handle these risks. Additionally, they are tasked with creating and overseeing a risk management and internal control framework, as well as promptly informing the Board of any alterations to the risks and the corresponding remedial measures implemented. In order to enhance managerial practices, "A" bank implements a system including three distinct tiers of safeguarding measures.

- **1st Line of Defense** – Business units, departments and retail branches who own and manage risk as part of their day-to-day activity. The business operations side is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place.
- **2nd Line of Defense** – Independent risk functions including Risk and Compliance Department, Finance Department and other functions overseeing risks. The second-line risk and control functions formulate their own opinion regarding the risks. they provide an adequate degree of certainty that the first-line control function is keeping these risks under control, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. The risk function has a veto right to ensure that it is respected. The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the group, and supervise how they are applied.
- **3rd Line of Defense** – Internal Audit performs independent assurance activities to evaluate and improve the effectiveness of governance, risk management and control processes, to support the board and senior management in protecting assets, reputation and sustainability. There are five main elements of internal control practices are as follows: control environment, risk assessment, control activities, information and communication and monitoring also effect on financial performance of “A” Bank in Myanmar.

1 Control Environment of “A” Bank

Internal control practices are influenced by intricate internal environmental factors, and their efficacy differs across different environments based on the organizational structure. The outcomes of internal control also vary to varying extents depending on the robustness of institutional governance and management instructions. In 2013, COSO developed a list of five components that constitute internal control.

Bank A initiates the process by developing its internal control environment. The control environment plays a crucial role in the implementation or enhancement of internal control measures within an organization, since it significantly influences all other facets of internal control. To provide an effective control environment, Bank A consistently supports the implementation of management instructions and ensures a clearly defined departmental structure. The various tiers of the Board and management of "A" bank exhibit a commitment to a code of conduct and/or ethical considerations in their directions. The bank in question has implemented performance metrics and objectives that are regularly assessed in terms of employee responsibility, accountability, and capability. The bank conducts frequent assessments to ensure compliance with the policies, procedures, limitations, and obligations outlined in the applicable legal and regulatory frameworks, as well as other pertinent recommendations.

"A" bank appoints an internal auditor to assess the entire performance of the organization in relation to administrative, executive, financial, and legal criteria. The audit process serves to effectively detect instances of corporate fraud, while also evaluating the effectiveness of internal controls in order to maintain optimal operational efficiency inside a corporation. An internal audit is performed to effectively assess the extent to which a corporation adheres to its internal rules, regulations, and standards. The auditors bear responsibility for addressing concerns related to the operational infrastructure of the bank. The establishment of an independent internal Audit department has been undertaken to assess the reliability and effectiveness of the Bank's internal control system, acting on behalf of both the Board and the Management. The internal audit function of Bank A consistently conducted regular evaluations of the bank's risk management framework and procedures, with a specific emphasis on the bank's compliance with established policies, protocols, limitations, as well as pertinent legal requirements, regulations, and recommendations.

Furthermore, the currency fraud case has prompted the inspection of both foreign and Myanmar money counting devices. The "A" Bank engages in the initiation and facilitation of foreign currency transactions for its commercial partners and corporate clientele. In the present era, the exchange rates of foreign currencies in Myanmar exhibit volatility, leading to the involvement of buyers and sellers in trading currencies such as Thai Baht, Chinese Yuan, and Singapore dollars.

Furthermore, the initial segment of the international accounting process involves the initiation of a letter of credit, telegraphic transfer, and the establishment of other foreign currency accounts. In order to enhance the number of exporters and importers associated with "A" Bank, it is imperative to attract a substantial number of exporters and importers dealing in rice, wheat, crops, and corn. Therefore, the international account opening portion will fulfill the intended goal. The Board and management of "A" Bank are now addressing the input regarding the challenges encountered by junior staff members in the banking operations of the organization. The reputation of "A" Bank is significantly influenced by the presence of integrity and adherence to ethical norms.

Furthermore, the implementation of promotions for employees who have successfully completed the designated duration of employment is underway. Integrity can be defined as the ethical principle of consistently adhering to moral values and doing what is considered morally right, even in the absence of external scrutiny. Trust, on the other hand, pertains to the confidence placed in an individual's ability to consistently uphold and communicate truthful information. Both moral and ethical values are important for bankers and financial businesses. Trust and integrity are fundamental pillars that underpin the functioning and sustainability of the banking industry. Their absence poses a significant threat to the survival and viability of banks. The ethical banking practices implemented by "A" Bank prioritize openness, foster the development of resilient communities, and construct a framework of values and ideals that regulate the allocation of financial resources.

3.5.2 Risk Assessment of “A” Bank

The primary purpose of "A" bank is to establish and execute an internal control system that effectively identifies and assesses risks that may hinder the bank's ability to achieve its goals. This text provides a more comprehensive description of the risk assessment aspect within the framework of internal control. The Risk and Compliance

Department in "A" Bank assumes the responsibility for effectively identifying, quantifying, monitoring, managing, and evaluating risks associated with day-to-day transactions in order to ensure the bank's success.

The responsibilities of the risk management function encompass various tasks, such as the establishment of risk assessment and measurement systems, the implementation of policies, practices, and control mechanisms to effectively manage risks, the determination of risk tolerance limits subject to approval by Senior Management and the board, the ongoing monitoring of positions in relation to approved risk tolerance limits, and the reporting of risk monitoring outcomes. To support senior management and the board in their daily operational activities to ensure the achievement of the aforementioned objectives. The management of credit risk is entrusted to the Credit Management Department inside "A" bank, whilst the monitoring and oversight of operational, liquidity, and market risks are the responsibility of the Risk Control Division.

An efficient internal control system is specifically formulated to detect, evaluate, and consistently monitor any significant risks that could potentially impact the bank's performance, information integrity, and adherence to compliance requirements. The evaluation of risks associated with the attainment of these objectives necessitates the careful consideration of potentially fraudulent activities. Furthermore, the risk assessment encompasses all potential hazards that the bank may encounter, encompassing, but not limited to, credit risk, land risk, and transfer risk. This discourse pertains to the topics of markets, interest rates, and liquidity. The three types of risks that organizations face are operational risk, compliance risk, and reputational risk. A comprehensive risk assessment considers both internal and external factors that impact a bank's internal control framework. Internal factors encompass elements such as the organizational structure's complexity, the nature of activities undertaken, and the profile of bank staff. On the other hand, external factors encompass economic conditions, technological advancements, industry changes, and other relevant external influences. These factors are duly identified and taken into consideration during the risk assessment process. Risk assessment is conducted at both the individual business unit level and, in the context of parent banks, encompassing all banking operations, groups, divisions, and subsidiaries. The internal controls have been updated to incorporate newly recognized hazards that were previously uncontrolled or unidentified.

The primary risks associated with "A" Bank encompass credit risk, operational risk, market risk, and liquidity risk. Due to the diverse array of risks faced by banks, they have implemented robust risk management frameworks and are obligated to adhere to governmental regulatory frameworks. The potential failure of banks and its consequential impact on a significant number of individuals can be attributed to the excessive risk exposure resulting from the substantial scale of certain financial institutions. Through a comprehensive comprehension of the risks that banks face, governmental entities can establish more effective regulatory frameworks aimed at fostering judicious management and decision-making practices. The capacity of a financial institution to effectively handle risk has a direct impact on the investment choices made by stakeholders. Despite the potential for a bank to generate substantial revenues, the absence of effective risk management practices can result in diminished profitability as a consequence of loan losses. Value investors are inclined to allocate their investments towards banks that have the capacity to generate profits while maintaining a prudent level of risk, so minimizing the likelihood of incurring substantial financial losses.

The operational risk of "A" Bank refers to the potential for financial loss resulting from errors or damages arising from human actions, technological systems, or operational procedures. The retail banking assets management department of "A" Bank is confronted with the least operational risk, whereas the foreign exchange counter, trade finance department, and loan department of "A" Bank are confronted with the highest operational risk. Losses resulting from human error encompass instances of internal fraud as well as errors committed during the execution of transactions. On a broader scope, instances of fraud may manifest through the unauthorized intrusion into a financial institution's cybersecurity infrastructure. Therefore, the evaluation and monitoring of key banking systems are also carried out by "A" Bank.

The installation of internal control techniques by "A" Bank is also regarded as a means to address market risks. Market risk arises as a consequence of a foreign banking transaction conducted by "A" Bank within the foreign currency markets. The rationale behind this phenomenon can be attributed to the inherent volatility of equities markets, fluctuations in commodity prices, variations in interest rates, and alterations in lending policies.

"A" Bank is also placing emphasis on the mitigation of liquidity issues. The primary objective of "A" Bank is to facilitate the acceptance of deposits and extend loans. The revenue generated from loans also constitutes income for "A" Bank. Commercial banks are obligated to uphold reserve money at the Central Bank of Myanmar. To address liquidity challenges, "A" Bank employs various strategies, including relying on the Central Bank of Myanmar and maintaining a portfolio of government assets, bills, bonds, and equities. "A" Bank mitigates its liquidity risks by procuring insurance policies from Myanmar Insurance and Private Insurance Companies. These policies encompass various areas such as vault room insurance, property and fire insurance, credit guarantee insurance, and general motor insurance. This proactive measure safeguards "A" Bank against unforeseen accidents and potential financial setbacks.

Presently, the employees of "A" Bank are diligently exerting effort to achieve the designated deposit target and surpass the A plus target. To mitigate the potential liquidity shortfall and credit risks, "A" Bank consistently gathers information pertaining to loan customers. Hence, the assessment of liquidity risk is a crucial factor to be taken into account while implementing internal control measures inside "A" Bank.

The primary determinant of significance for "A" Bank is credit risk. Default happens when borrowers or corporate clients of "A" Bank are unable to fulfill their contractual obligations. One instance is when borrowers fail to fulfill their obligation to repay the principal or interest amount of a loan. The occurrence of bad debt can manifest in many financial instruments such as mortgages, credit cards, and fixed-income securities. Instances of non-compliance with contractual obligations can also manifest in domains such as derivatives and guarantees extended. While it is acknowledged that "A" Bank cannot achieve complete immunity from credit risk given the inherent characteristics of their business operations, there are various strategies available to mitigate their exposure. Given the unpredictable nature of deterioration in the banking industry or issuer, banks mitigate their risk by reducing their exposure through diversification.This study aims to show the credit evaluation techniques employed by "A" Bank. The assessment of risks is based on the borrower's capacity to fulfill loan repayment obligations. The credit risk assessment process in "A" Bank encompasses several key factors, including the evaluation of the borrower's character, their capacity to repay the loan, their credit history, their business and management experience, the vulnerability of their firm to external hazards, and the availability of collateral. This comprehensive assessment culminates in the generation of conclusions and recommendations. Bank A has established a specialized department solely responsible for evaluating the credit risk associated with its existing and prospective customers. Credit facilities are typically backed by a range of assets, such as land, buildings, machinery, and personal guarantors, in order to provide a high level of security.

In order to address the security risk, lenders often seek personal guarantees and corporate guarantees when the value of the collateral provided is insufficient to fully minimize the risk. In order to assess the cash flow condition of potential borrowers and determine their eligibility for credit facilities, "A" Bank mandates the submission of bank statements spanning a minimum period of 12 months or more. These statements serve as supporting documentation to verify the financial status of the borrowers' company operations. This instrument demonstrates efficacy in the monitoring of the business's cash flow. With the aid of technological advancements, analysts are now able to efficiently acquire data and evaluate the risk profile of consumers. In addition to conducting security and cash flow assessments, credit risk assessment at "A" Bank encompasses the examination of business and industry factors. This includes analyzing previous financial data, specifically focusing on the applicant's working capital, loan structure, and adherence to lending criteria related to name lending. Credit default risk refers to the potential for financial loss resulting from the debtor's inability to fully repay the borrowed amount or when the debtor exceeds a 90-day period beyond the scheduled credit payment due date. This situation gives rise to the occurrence of credit default risk.

Credit default risk has a significant influence on all credit-based transactions, such as loans, swaps, and securities, that involve sensitive financial operations. Banks assess credit default risk as part of their loan approval process. In the event of non-payment of any interest or principal amount on the designated due date, the Bank shall promptly initiate communication with the borrower to investigate the underlying causes for the default and establish a mutually agreed-upon strategy to rectify the delinquency. Although the Recovery Team has assumed the task of collecting delinquent accounts, the business unit will offer support to the Recovery Team through the provision of vital information and assistance in communicating with the borrower.

3.5.3 Control Activities of “A” Bank

Control activities are integral components of the bank's routine operations, involving personnel across all hierarchical levels. Management activities are strategically formulated and executed with the purpose of mitigating risks that have been identified via the comprehensive risk assessment process. This entails the establishment of control policies and procedures, as well as the verification of adherence to these policies and procedures. The bank in question has implemented control operations across many levels, encompassing the implementation of systems that facilitate reviews at both the top-level and functional-level. Please ensure adherence to the prescribed exposure limits and take appropriate action in the event of any observed non-compliance. The proposed framework entails the implementation of a comprehensive system of permits and approvals, encompassing meticulous processes for the evaluation and authorization of novel items and services. Furthermore, the implementation of a verification and adjustment mechanism is essential. Control activities serve as a supplementary component to preexisting rules, procedures, and other systems of control. Bank "A" consistently offers comprehensive induction training to new employees, providing them with essential information pertaining to their newly acquired positions. The purpose of the induction process is to facilitate the integration of newly hired individuals into the organization and assist them in adapting to their new responsibilities. This procedure aims to provide a supportive environment for new workers throughout their transitional period.

The administrative processes of "A" Bank are conducted using a paperless system, wherein the Head Office and branches of the bank are interconnected with the Office 365 platforms. The employees of "A" Bank are undergoing comprehensive training in the field of accounting and financial management system. The international banking division of "A" Bank offers expedited system training to personnel at both the "A" Bank Head Office and its many locations. The Human Resource Department of "A" Bank is organizing a training session for its staff members who work in the Human Resource Department. The training will focus on the HR solution. The objective of this initiative is to provide comprehensive training to workers of "A" Bank who are part of the Customer Care department. The training program aims to enhance their knowledge and skills in utilizing the Call Center Solution effectively. Additionally, the program also includes customer service training to further develop the competencies of "A" Bank employees, thereby improving the overall quality of service provided by the bank. The administrative department of "A" Bank is responsible for maintaining fixed assets ledgers, which include land and buildings, equipment and machinery. Additionally, they oversee the management of budgetary control ledgers, which track the daily expenditure of both the Head Office Department and branches within "A" Bank. The management of "A" Bank is responsible for maintaining inventory control ledgers for security forms and stationery. During the annual budget closure process at "A" Bank, the finance department will get the yearly budget closing instructions, which will guide the depreciation of fixed assets.

During the annual budget closure process at "A" Bank, the management of security forms and stationary stock ledgers is undertaken. The evaluation of employee performance, bonuses, and prizes can serve as a means to assess the effectiveness of control operations implemented by the Board and management of "A" Bank. The disallowed expenditures in "A" Bank, such as employee taxi fares, are now prohibited. In order to mitigate excessive daily expenditures and minimize revenue deficits, it is recommended to implement an A+ performance target for employees, establish bank deposit objectives, regularly collect monthly deposits from customers, enhance loan performance, and actively seek out new loan customers. These measures are anticipated to enhance the bank's financial performance and yield favorable net operating costs. In the context of the COVID-19 pandemic and the resulting shift towards a "new normal" way of life, it has been noted that "A" Bank has experienced a fall in its marketing expenditure. This decline can be attributed to the reduction in sponsorship of festivals and events, as well as a shift towards utilizing social media platforms to create and disseminate content for the promotion of their financial products and services.

The effective dissemination of information and the systematic documenting of processes are integral components of the control activities within internal control practices. The policies, processes, principles, and regulations are effectively communicated to employees. An illustration of the paperwork flow can be observed in the administrative department of "A" Bank, where significant expenses are incurred for the purpose of preparation. In the event of a large-scale implementation, it is necessary to allocate funds from the budget in advance, with subsequent presentation of sanctions and vouchers. In addition, it is necessary for the management of "A" Bank to provide training to employees on the core banking software system. The "A" Bank cordially extends an invitation to external trainers to conduct management and leadership skill training sessions for its esteemed bank personnel.

3.5.4 Information and Communication of “A” Bank

In order to promote comprehensive comprehension and adherence to policies, procedures, and controls pertaining to their respective roles and obligations, "A" Bank implements robust communication channels. These channels are designed to facilitate the dissemination of pertinent information to the necessary personnel within the organization. The responsibility lies with the Board and Management of "A" Bank to guarantee that all employees are duly informed of their need to expeditiously notify any shortcomings to the relevant management level or the board of directors at "A" Bank. The Board and Management of "A" Bank are proactively adapting to dynamic circumstances and prioritizing cost-efficiency throughout the organization.

The primary objective of "A" bank is to maintain high levels of employee engagement and dedication to the bank's mission by employing strategic information dissemination techniques. All personnel undergo training to comprehend the concept and significance of internal controls, which encompasses the division of tasks. Furthermore, project managers provide management choices with sufficient supporting information. "A" Bank demonstrates a prudent approach in rapidly disseminating crucial information to all workers as soon as they are made accessible. Furthermore, Bank "A" has established procedures to effectively communicate information to external stakeholders in a timely way. Commercial banks have established procedures to ensure that consumers receive pertinent and up-to-date information.

The present communication pertains to various updates and announcements related to "A" Bank. These include details regarding the ongoing seasonal fixed deposit promotion, the provision of a rainy season promotion gift for customers availing seasonal deposit services, information on vinyl boots associated with the interest rate offered by "A" Bank, alterations in the daily money changer rate encompassing foreign currency exchange rates, as well as employee notifications concerning the Head Office Department and branches of "A" Bank, all of which have been disseminated in a timely manner. An employee of "A" Bank possesses a comprehensive understanding of the significance and function of internal control practices. Access to information assets can be restricted by classifying information based on its sensitivity and relevance, and by identifying information owners or authorized individuals who can access certain classes of information based on their professional obligations and job performance requirements.

Bank "A" has established procedures to effectively disseminate pertinent and time-sensitive information to external stakeholders. The personnel of "A" Bank are required to adhere to the directives of the Central Bank of Myanmar, as well as the rules and regulations set forth by the human resource department, and the guidelines pertaining to finance and auditing. The effective communication of departments within "A" Bank is a responsibility shared by the Board and management. The Board and management committee of organization "A" will also ensure that all departmental requirements are met. The correctness of a bank's financial performance is contingent upon the presence of both financial and management information pertaining to the bank. The stakeholders and investors would exhibit interest in the state of the financial performance of the bank. Therefore, it is imperative for investors to allocate their investments in "A" Bank, as the bank's reputation significantly influences its financial and organizational success.

The Central Bank of Myanmar disseminates instructions pertaining to various matters such as interest rates, foreign currency exchange rates, Anti-Money Laundering Control guidelines, and loan instructions for Commercial Bank. These instructions are promptly communicated to the employees across different departments and branches of "A" Bank. The financial and managerial information provided by the branch manager of "A" Bank greatly contributes to the decision-making process of the management team. All workers at "A" Bank possess a comprehensive understanding of the fundamental principles and significance of internal control. This includes recognizing the division of responsibilities across several departments such as Human Resources, Administration, Branches, Internal Audit, Finance, Legal Share, Risk and Compliance, IT, and the supporting team, each with their own roles and responsibilities. Employees possess a comprehensive understanding of their respective roles within the internal control framework, along with a recognition of the interconnectedness between their specific tasks and the overall functioning of the organization. The organization possesses a method for effectively transmitting important information to the senior executives.

3.5.5 Monitoring Activities of "A" Bank

Personnel within the same operational area or internal audit may conduct evaluations to assess the effectiveness of the internal control system and its accompanying monitoring activities. These evaluations might take the form of self-assessment or be conducted by individuals from other areas. It is imperative that the self-assessment conducted by business units undergoes independent validation. The evaluations have been sufficiently documented, ensuring that any internal control shortcomings and weaknesses are quickly communicated to the relevant level of management or the board of directors, as needed, and promptly addressed.

The monitoring operations of "A" bank encompass periodic or continuous evaluations aimed at verifying the presence and functionality of each of the five components of internal control, including the controls that impact the principles within each component. Ongoing assessments are conducted to ensure the effectiveness of control operations through independent process checks and evaluations. The bank in question has developed and consistently improves a complete management information system (MIS) that provides a reliable database for the identification, measurement, management, monitoring, and mitigation of risk in all aspects of its operations. The Bank prepares and submits regular reports on a daily, weekly, and monthly basis that provide a comprehensive overview of its risk management performance. These reports specifically focus on identifying any instances of noncompliance with risk management policies, procedures, limits, and obligations that arise from relevant laws, regulations, and guidelines. The recipients of these reports include Senior Management and the Board.

The primary sources for internal control practices at "A" Bank are the external audit conducted by Central Bank Supervision and the internal audit department. The internal audit manual guidelines for both the Head Office Department and Branches in "A" Bank are being issued by the audit department. Periodic internal reviews are undertaken to assess the implementation of internal controls within organizational units. Hence, regular assessments and evaluations of control actions are conducted through independent process inspections. Appropriate and prompt measures are implemented to rectify problems identified by external audit companies and the central bank of Myanmar.

Budget reviews are conducted in every department of "A" Bank to compare actual expenditure with budgeted expenditure, accompanied by explanations for any discrepancies. The management of "A" Bank has delegated the task of promptly reviewing audit reports and addressing any instances of non-compliance that are identified in those reports. This study examines the implementation of internal reviews for the processing of purchase, cash reception and cash payments, petty cash management, payroll, fixed asset, and electronic banking data. The focus is on ensuring compliance with the policies and procedures established by the administrative, human resources, finance, and internal audit departments.

The utilization of monitoring techniques has facilitated the evaluation of the financial performance quality of "A" Bank. The implementation of internal control monitoring operations within "A" bank has the potential to mitigate the frequency of fraudulent and illicit activities. The monitoring of internal control methods at "A" bank holds significant importance in order to successfully attain the bank's target of being the leading private bank within the next five years. Bank A possesses a highly established and efficient Board of Directors and management committee. The shareholders of "A" Bank approve the recruitment and appointment of Board members during the Annual General Meetings. The bank known as "A" Bank has implemented robust monitoring rules, methods, and practices that are effectively guided by its many departments and branches.

3.6 Implementation of Fraud Prevention in “A” Bank

Fraud prevention encompasses the implementation of effective division of tasks, diligent employee supervision, continuous monitoring of work performance, and the establishment of robust control measures to safeguard against unauthorized access to systems. The daily transactions of "A" Bank are monitored as a means of preventing any abnormal or suspicious activities. The enhancement of employees' knowledge regarding fraud prevention can be achieved by conducting seminars and training events in partnership with the Central Bank of Myanmar and the Anti-Money Laundering Control Commission. These initiatives aim to effectively implement and evaluate fraud prevention measures inside "A" Bank. Furthermore, employee training plays a pivotal role in the realm of risk management, as actively engaged personnel possess enhanced capabilities to mitigate potential risks to the organization, hence addressing the absence of internal controls.

The fraud protection measures used by "A" Bank encompass the utilization of internal audit manual guidelines, operational guidelines, and advanced technology. These measures are aimed at safeguarding the bank's assets, core banking systems, and the sensitive information of its clients against fraudulent activities. Fraud protection encompasses several tasks such as threat monitoring, account monitoring, behavioral profiling, and proactive risk detection. In terms of prevention, this encompasses several proactive steps aimed at mitigating threats, such as the establishment of internal controls, provision of employee training, and adoption of multi-layered security protocols. Understanding customer identity is a crucial aspect of compliance, wherein an organization must ascertain the characteristics of its clientele by revising current records, monitoring transactions, and ensuring that both senders and recipients are not designated as prohibited entities. The assessment of fraud prevention at "A" Bank might encompass factors such as employee awareness of HR policies, adherence to job specifications and work rotation, and effective communication among employees reporting fraudulent activities. The management of "A" Bank is responsible for addressing client complaints and overseeing the detection of faults and fraudulent activities inside the bank's operations.

3.7 Financial Performance of “A” Bank

When evaluating performance-based variable pay, several aspects are considered, including the achievements of "A" bank, its business operations, and the individual accomplishments of its employees in meeting performance objectives. The performance evaluation of each employee is determined by a combination of performance objectives, competencies, and actions that are deemed to be consistent with the core values of "A" bank. At the conclusion of each fiscal year, a comprehensive assessment is conducted to evaluate the performance of each employee, which subsequently serves as the basis for determining the variable pay of these employees. The Board of Directors and Senior Management conduct periodic assessments of the remuneration policy. The purpose of doing these reviews is to ascertain that compensation methods and programs adhere to legal mandates and remain adaptable to market fluctuations. The compensation, rewards, and remuneration received by employees are determined based on considerations beyond immediate financial metrics, considering longer-term sustainability objectives.

The implementation of effective internal control processes by "A" Bank has led to a positive liquidity situation. Banks employ two distinct categories of functions. One function is to receive deposits, while the other involves lending funds. In order to mitigate the risk of bank liquidity depletion, it is imperative to refrain from exceeding the predetermined credit limit. The internal control measures implemented by "A" Bank serve to uphold the precision and dependability of its financial documentation. The financial success of "A" Bank also impacts unnecessary costs, such as overheads. The financial performance indicators of Bank A, namely return on assets, return on investment, and return on equity, have exhibited a consistent upward trend. The branch of Bank "A" demonstrates sufficient profitability to sufficiently offset the operational expenses associated with its banking operations. Over the course of the subsequent five-year period, the profitability of "A" Bank exhibits a sustained upward trend. The anticipated trajectory of the return on assets is expected to exhibit a consistent upward trend over the course of the forthcoming five-year period. Over the course of the upcoming five years, it is anticipated that "A" Bank would have a consistent and gradual increase in its net profit margin. The branch of Bank A demonstrates sufficient profitability to sufficiently offset its operational expenses. Bank A possesses an ample amount of cash to fulfill its financial obligations and has appropriately allocated reserves for the Central Bank of Money (CBM). The profitability status of "A" bank is depicted in Table 3.2.

Table (3.2) Profitability of "A" Bank

Particular	2020-2021 (MMK)	2021-2022(MMK)	2022-2023(MMK)
Profit	3,311, 633,301.87	13, 702, 212, 711.81	76,939,742,356.90

Source: Core Banking Report, 2023

The profitability status is 3,311, 633,301.87 (MMK) in (2020 to 2021) 13, 702, 212, 711. 81 (MMK) in (2021 to 2022) and 76, 939, 742, 356. 90 (MMK) in (2022 to 2023) respectively.

CHAPTER 4

ANALYSIS OF INTERNAL CONTROL PRACTICES, FRAUD PREVENTION AND FINANCIAL PERFORMANCE OF "A" BANK

This chapter provides an analysis of the internal control practices, fraud prevention measures, and financial performance of "A" bank. The chapter is structured into six sections, encompassing survey design, demographic profiles of the respondents, and the assessment of dependability. In addition to the aforementioned aspects, this study also encompassed the examination of respondents' perspectives regarding internal control measures, fraud prevention, and financial performance. The present study examines the impact of internal control practices on fraud prevention, as well as the reciprocal relationship between fraud prevention and financial performance, utilizing a regression analysis approach.

4.1 Research Design

The primary aims of this study are to examine the impact of internal control practices on fraud prevention and financial performance. In order to accomplish these objectives, a combination of primary and secondary data is employed in the execution of this study.

A sample of 315 people (21% of the total population of 1500) working in internal control functions at a bank was selected using a simple random sampling procedure in order to gather information. The Taro Yamane Formula (1973) is employed to determine the appropriate sample size in the following manner.

$$n = \frac{N}{1 + N * (e)^2} = \frac{1{,}500}{1 + 1{,}500 * (0.05)^2} = 315.78 \approx 315 \ (21\%)$$

n = sample size (315),

N = the population size (1500),

e = error (0.05) reliability level 95% or

e = level of precision always set the value of 0.05

The study used a structured questionnaire on a 5-point Likert scale to gather employee perceptions of the internal control methods, fraud prevention measures, and financial performance of "A" Bank. The structured questionnaire comprises of two distinct sections. Part A pertains to the profile of the respondents, whereas Part B focuses on the internal control practices, fraud prevention, and financial performance of "A" Bank. The measurement of internal control is conducted using a five-point Likert scale questionnaire. This study employs both quantitative and descriptive research methodologies. Furthermore, secondary data are obtained from diverse sources including prior research publications, scholarly journals, theses, and relevant textbooks. The use of regression analysis is utilized for the purpose of analyzing the data.

4.1.1 Reliability Analysis

The establishment of a measure's reliability is achieved through the examination of both its consistency and stability. The concept of consistency refers to the degree to which the items used to measure a particular construct are interconnected. Cronbach's alpha, a reliability coefficient, is used to assess the extent to which the items in a set exhibit positive correlation with each other (Sekaran & Bougie, 2009). The table (4.1) displays the range of Cronbach's alpha coefficient and its corresponding dependability level.

Table (4.1) Rule about Cronbach's Coefficient Alpha

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

Source: Sekaran and Bougie (2009)

Table (4.1) shows that there are six reliability levels based on the Cronbach’s alpha values. In this study, primary data are collected with structured questionnaire, which was thoroughly designed and developed. The reliability result is presented in Table (4.2).

Table (4.2) Cronbach's Alpha Reliability Test

No.	Particular	Number of Items	Cronbach's Alpha
1	Control Environment	7	.872
2	Risk Assessment	8	.852
3	Control Activities	6	.829
4	Information and Communication	7	.926
5	Monitoring	6	.915
6	Fraud Prevention	6	.907
7	Financial Performance	7	.862

Source: Survey Data, (2023)

Cronbach's alpha is a measure of internal consistency reliability that can be calculated and reported for any scales or subscales used in this study that employ the Likert-type scale. The internal consistency of the items on the scale seems to be good, since all of the Cronbach's alpha values are more than 0.8, as shown in Table (4.2).

4.2 Demographic Profiles of the Respondents

This section presents the profiles of selected sample employees in internal control functions of "A" bank. The profiles cover the employees' gender, age, level of education, job position and years of service in current bank. Table (4.3) presents the demographic profiles of the respondents.

Table (4.3) Demographic Profiles of the Respondents

Sr. No.	Particular	Demographic Profile	Respondents	Percent
1	Gender	Male	103	32.7
		Female	212	67.3
2	Age (years)	25-35	203	64.4
		36 -45	77	24.4
		46-55	27	8.7
		56 above	8	2.5
3	Previous Company Experience (Years)	Below 1 year	51	16.1
		1-3 years	124	39.4
		4-6 years	73	23.2
		7-10 years	67	21.3
4	Level of Education	Bachelor	238	75.6
		Master	48	15.23
		PhD	4	1.27
		Post-Graduate Diploma	25	7.9
5	Job Position	General Manager and above	6	1.9
		Deputy General Manager	8	2.5
		Assistant General Manager	19	6.0
		Senior Manager	31	9.8
		Manager	36	11.4
		Deputy General Manager	76	24.1
		Assistant Manager	77	24.4
		Supervisor	62	19.9
6	Years of Service in "A" Bank	Below 1 year	9	2.9
		1-3 years	57	18.1
		4-6 years	60	19.0
		7-10 years	189	60.0
Total			315	100

Source: Survey Data, (2023)

According to the results of Table (4.3), for gender, out of the 315 respondents, majority of the respondents are female. Most of the respondents are aged from 25 to 35 years. It is found that they worked at the previous company from 1 to 3 years. Regarding education, majority of the respondents are graduated and have Bachelor degree. In addition, they are working as the assistant manager at “A” bank. Among 315 respondents, majority of the respondents has been working at “A” bank from 7 to 10 years respectively.

4.3 Employee Perception of Internal Control Practices, Fraud Prevention and Financial Performance

Primary data are collected by using structured questionnaire with 5-point likert scale. Best (1977) described the mean score range to interpret the findings. The mean score rating of Best (1977) is presented in the Table (4.4).

Table (4.4) Scoring Range of Likert Scale

Range	Level
1.00-1.80	Very Low
1.81-2.60	Low
2.61-3.40	Medium
3.41-4.20	High
4.21-5.00	Very High

Source: Best, 1977

According to Table (4.4), the mean score range of Best (1977) includes five levels based on the mean score range. Those five levels include very low, low, medium, high and very high. In this study, to interpret the findings, the mean score range of Best (1977) is applied.

4.3.1 Respondents Perception on Control Environment

The control environment is one of the main elements of internal control practices. This section included the findings in respect to control environment which sought to assess the influence of control environment on the financial performance of the bank. Respondent perception towards the control environment of “A” bank is presented in Table (4.5).

Table (4.5) Mean Value of Control Environment

No.	Items	Mean	Std. Deviation
1	Having clear roles and responsibilities	4.30	.83
2	Being aware the bank's guidelines of the operation	4.27	.82
3	Having environment of bank to attain the bank's objectives	4.24	.83
4	Getting feedbacks from management	4.26	.82
5	Having appropriate measures to correct errors in operation of the accounting and finance management system	4.22	.83
6	Adhering strictly to the general values of ethics	3.78	.64
7	Having competent and strongly committed board for implementation of recommendations from the internal audit	3.79	.60
Overall Mean		4.12	

Source: Survey Data, 2023

According to the Table (4.5), this study mentioned that the highest mean score 4.30 shows that the majority of the respondents very highly agree that they have clear roles and responsibilities at "A" Bank. The second highest mean score 4.27 shows that most employees very highly agree that they are aware of "A" bank's guidelines of the operation. According to the overall mean 4.12, majority of the respondents highly agree with control environment to prevent frauds at "A" Bank.

4.3.2 Respondents Perception on Risk Assessment

Risk assessment is related to the risk assessment system for identification and forecasting potential problems and losses relating to the frauds. It also refers to the capacity of management to prioritize the risks. Respondent perception towards the risk assessment of "A" bank is presented in Table (4.6).

Table (4.6) Mean Value of Risk Assessment

No.	Items	Mean	Std. Deviation
1	Having all key activities of "A" bank to identify risks	3.70	.62
2	Identifying and assessing potential problems and losses within each department	3.66	.65
3	Modifying the targets and objectives according to potential risk	3.67	.60
4	Being accurate and clear Risk measurement system of "A" Bank	4.30	.83
5	Forecasting the trends of changes in the country's regulation and economic condition	4.27	.82
6	Having management's criteria for ascertainment of which fraud-related risks	4.24	.83
7	Being adequate capacity to perform risk assessments	4.26	.82
8	Designing an appropriate strategy of identifying risks	4.22	.83
Overall Mean		4.04	

Source: Survey Data, 2023

According to the Table (4.6), this study found that the highest mean score 4.30 shows that majority of the respondents very highly agree that risk management system of "A" Bank is accurate and clear. The second highest mean score 4.27 shows that of the respondents very highly agree that "A" Bank used to forecast the trends of changes in the country's regulation and economic condition. According to the overall mean 4.04, majority of the respondents highly agree with risk assessment practices conducted by A" Bank.

4.3.3 Respondents Perception on Control Activities

Control activities are related to the policies and processes that help ensure management directions are carried out including range of activities such as approvals, authorizations, verifications, etc. Respondent perception towards the control activities of "A" bank is presented in Table (4.7).

Table (4.7) Mean Value of Control Activities

No.	Items	Mean	Std. Deviation
1	Adequately identifying the documentation flow in each department and adhered to accordingly	3.68	.65
2	Training staff to implement the operation and financial management system	3.74	.68
3	Checking process of inventory record accuracy regularly	4.30	.83
4	Being able to measure employees' individual performance, as a tool of internal control	4.27	.82
5	Having clear duties for the various financial functions	4.24	.83
6	Having control activities affected the organization's operating costs	4.26	.82
Overall Mean		4.08	

Source: Survey Data, 2023

According to the Table (4.8), this study mentioned that the highest mean score 4.30 shows that majority of the respondents very highly agree that "A" Bank has checking process of inventory record accuracy regularly to prevent frauds. The second highest mean score 4.27 shows that respondents also very highly agree that control activities can measure employees' individual performance, as a tool of internal control. According to the overall mean 4.08, most respondents highly agree that "A" Bank has high level of control activities relating to frauds.

4.3.4 Respondents Perception on Information and Communication

Information and communication are related to the communication of relevant and timely information to all the relevant people on time. It also refers the availability of accurate information and communication within the bank. Respondent perception towards the control activities of "A" bank is presented in Table (4.8).

Table (4.8) Mean Value of Information and Communication

No.	Items	Mean	Std. Deviation
1	Having processes in place to communicate relevant and timely information to customer	4.22	.83
2	Understanding the concept and importance of internal controls and responsibility	3.69	.75
3	Having important information, it is distributed to all employees on time	4.30	.83
4	Having processes in place to communicate relevant and timely information to external parties.	4.27	.82
5	Having a good system of information and communication across all the bank departments	4.24	.83
6	Existing the relationship between bank financial performance and timely report of information	4.26	.82
7	Having the accuracy of the bank financial performance depended upon the availability of accurate information and communication within the bank	4.22	.83
	Overall Mean	4.17	

Source: Survey Data, 2023

According to the Table (4.8), this study found that the highest mean score 4.30 shows that majority of the respondents very highly agree that “A” Bank has important information distributed to all employees on time. The second highest mean score 4.27 shows that most respondents very highly agree that “A” bank has processes in place to communicate relevant and timely information to external parties. According to the overall mean 4.17, respondents highly agree with information and communication system of “A” Bank.

4.3.5 Respondents Perception on Monitoring Activities

Monitoring activities is related to the evaluation of the overall effectiveness of all internal control practices of “A” bank. It also refers arranging the proper tools for monitoring and evaluation Respondent perception towards the control activities of “A” bank is presented in Table (4.9).

Table (4.9) Mean Value of Monitoring Activities

No.	Items	Mean	Std. Deviation
1	Conducting internal reviews of the implementation of internal controls in units periodically	4.41	.80
2	Having adequate and timely actions to correct deficiencies reported by external auditor	4.27	.84
3	Having proper tools for monitoring and evaluation	4.36	.81
4	Evaluating the overall effectiveness of all internal control practices routinely	4.28	.86
5	Developing an internal audit manual that guides audit operations	4.36	.80
6	Influencing of overall regular monitoring of the bank operations and alignment to objectives on the financial performance of the bank	3.74	.61
	Overall Mean	4.23	

Source: Survey Data, 2023

Based on the data shown in Table 4.9, the study indicates that the respondents overwhelmingly expressed a strong agreement, with a mean score of 4.41, regarding the practice of "A" Bank conducting regular internal reviews of internal control implementation within its units. The data indicates that there is a strong consensus among respondents, as evidenced by the second highest mean score of 4.36, regarding the presence of management tools for monitoring and assessment. Furthermore, the bank's internal audit unit has created an internal audit handbook that provides comprehensive guidance for conducting audit activities. Based on the calculated mean of 4.23, it can be inferred that a significant proportion of the participants strongly concur with the monitoring initiatives undertaken by "A" Bank. Table 4.10 displays the aggregated mean values pertaining to internal control practices.

Table (4.10) Overall Mean of Internal Control Practices

No.	Factors	Overall Mean
1	Control Environment	4.12
2	Risk Assessment	4.04
3	Control Activities	4.08
4	Information and Communication	4.17
5	Monitoring Activities	4.23

Source: Survey Data, 2023

According to the Table (4.10), the overall mean score for all internal control practices are above 4.00. Therefore, it can be concluded that majority of the respondents acknowledge that "A" bank has good internal control practices.

4.3.6 Respondents Perception on Fraud Prevention

Fraud prevention is the process and/or measures taken by businesses to protect themselves and their customers from fraudulent activities. Respondent perception towards the control activities of "A" bank is presented in Table (4.11).

Table (4.11) Mean Value of Fraud Prevention

No.	Items	Mean	Std. Deviation
1	Contribution of the organization's audit (internal and external) significantly towards fraud detection	4.30	.83
2	The fraud detection process mostly relying on technology	4.27	.82
3	Achieving success in detecting fraud depends greatly on the support from the top management	4.24	.83
4	Influencing of Ethical organization's culture the success in detecting fraud within the organization	4.26	.82
5	Having successfully implemented a great number of fraud detection instruments	4.22	.83
6	Selecting the suitable and effective fraud detection instruments enhanced by availability of expertise within the organization	3.57	.64
	Overall Mean	4.14	

Source: Survey Data, 2023

Based on the data shown in Table 4.11, the study indicates that the respondents overwhelmingly expressed strong agreement, as evidenced by the highest mean score of 4.30, regarding the substantial contribution of the organization's audit (both internal and external) in detecting instances of fraud. The finding of a mean score of 4.27, the second highest among respondents, indicates a strong consensus among participants on the heavy reliance on technology in the fraud detection process. Based on the calculated mean of 4.14, it can be seen that a significant proportion of the participants strongly concur with the notion that "A" bank exhibits commendable measures in preventing fraudulent activities.

4.4 Respondents Perception on Financial Performance

Financial performance is the subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Respondent perception towards the control activities of "A" bank is presented in Table (4.12).

Table (4.12) Mean Value of Financial Performance

No.	Items	Mean	Std. Deviation
1	Having internal control practices for favorable liquidity status	3.66	.58
2	Minimizing unnecessary costs	3.70	.70
3	Achieving positive profit growth from its internal control practices.	4.31	.82
4	Ensuring the accuracy and reliability of financial records	4.24	.83
5	Increasing return on asset yearly	4.24	.81
6	Having profits enough to cover their cost of running their operations	4.27	.80
7	Having enough cash to meet its obligations effectively	4.31	.81
Overall Mean		4.10	

Source: Survey Data, 2023

Based on the data shown in Table 4.12, the findings of this study indicate that the highest mean score of 4.31 suggests a strong consensus among the respondents on their strong agreement that "A" bank has favorable profit growth as a result of its internal control measures. Furthermore, a significant majority of participants strongly concur that "A" Bank possesses an ample amount of liquid assets to adequately fulfill its financial commitments. Based on the calculated mean of 4.10, it can be seen that a significant proportion of the participants strongly concur with the notion that "A" bank has commendable financial performance.

4.5 Analysis of Internal Control Practices and Fraud Prevention of "A" Bank

The study employed multiple regression analysis to examine the link between various independent variables, namely control environment, risk assessment, control activities, information and communication, and monitoring, and the dependent variable of fraud prevention in "A" bank. The regression outcome is presented in Table 4.13.

Table (4.13) Effect of Internal Control Practices on Fraud Prevention of "A" Bank

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	-.092	.054		-1.706	.089
Control Environment	.229 ***	.053	.202	4.361	.000
Risk Assessment	.046	.046	.037	.990	.323
Control Activities	-.007	.041	-.006	-.168	.866
Information & Communication	.678 ***	.039	.698	17.553	.000
Monitoring Activities	.071 ***	.018	.071	3.854	.000
R^2	.973				
Adjusted R^2	.973				
F-value	2222.5				

*** Significant at 1% Level

Source: Survey Data, 2023

The impact of internal control practices on fraud prevention is examined using multiple regression analysis, as depicted in Table 4.13 above. Based on the findings, the coefficient of determination (R square) for the dependent variable in relation to the independent variable was determined to be 0.97. This finding suggests that 97% of the variability in fraud prevention can be accounted for by the independent variables. In other words, the fluctuations observed in the independent variables can be explained by the corresponding fluctuations in fraud prevention with a 97% degree of certainty.

The findings of the study indicate that the control environment variable has a significant positive relationship with the dependent variable (ß = 0.229, Sig = 0.000). Similarly, the risk assessment variable shows a non-significant positive relationship (ß = 0.046, Sig = 0.323). The control activities variable, on the other hand, exhibits a non-significant negative relationship (ß = -0.007, Sig = 0.866). In contrast, the information and communication variable demonstrate a significant positive relationship (ß = 0.678, Sig = 0.000). Lastly, the monitoring variable also displays a significant positive relationship (ß = 0.071, Sig = 0.000). The findings of this study indicate that risk assessment and control activities do not have a statistically significant impact on the financial performance of "A" bank, as evidenced by a p-value greater than 0.05. However, it is worth noting that the control environment, information and communication, and monitoring have a positive and statistically significant effect on the financial performance of "A" bank, as indicated by p-values less than 0.05.

Based on the standardized coefficient (Beta) score, the information and communication component have the highest beta value among the three significant explanatory factors. Hence, within the realm of internal control practices, the factor of information and communication emerges as the most efficacious element in preventing fraud within "A" bank.

4.6 Effect of Fraud Prevention on Financial Performance of “A” Bank

Multiple regression analysis is a statistical technique that involves the utilization of two or more independent variables to make predictions about a single dependent variable. The researchers utilized multiple regression analysis to examine the impact of independent variables related to fraud prevention on the dependent variable of financial performance in "A" bank. The regression outcome is presented in Table 4.14.

Table (4.14) Analysis of Fraud Prevention and Financial Performance of "A" Bank

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	.753	.074		10.24	.000
Fraud Prevention	.809 ***	.018	.934	46.23	.000
R^2	.872				
F-value	2137.25				

*** Significant at 1% Level

Source: Survey Data ,2023

The impact of fraud prevention on financial performance is examined using multiple regression analysis, as illustrated in Table 4.14 above. Based on the findings, it has been determined that the R-squared value for the dependent variable in relation to the independent variable is 0.87. This finding suggests that 87% of the observed variance in financial performance can be accounted for by the independent variables. In other words, the remaining 13% of the variation in financial performance is not explained by the variation in the independent variables. The findings of the study indicate that there is a statistically significant positive relationship between fraud prevention and the financial performance of "A" bank. This conclusion is supported by the fact that the p-values obtained for the analysis are below the threshold of 0.05.

CHAPTER 5
CONCLUSION

The present chapter encompasses the concluding section, which is derived from an examination of the findings obtained from the thesis analysis. The present chapter has been organized into three primary divisions, namely: findings and discourse, recommendations, and requirements for future research.

5.1 Findings and Discussion

The primary emphasis of this study is directed towards the examination of internal control methods, fraud prevention measures, and financial performance within the context of "A" Bank. The objective of this study is to examine the internal control practices implemented by "A" Bank, assess the impact of these policies on fraud prevention within the bank, and analyze the subsequent influence of fraud prevention on the financial performance of "A" Bank. The data for this study was obtained from a sample of 315 workers that work at the Head Office and "A" Bank Branches. The sampling method used was simple random sampling.

It has been noted that a majority of the respondents possess a comprehensive understanding of the distinct tasks and duties inside "A" Bank, mostly due to the bank's provision of inductive training to all its workers. The survey results indicate that participants possess knowledge of the operational guidelines of "A" bank, since the bank consistently provides comprehensive management guidance to all workers and maintains a well-defined departmental structure. Hence, it may be inferred that "A" Bank exhibits a robust control environment aimed at mitigating the occurrence of fraudulent activities.

The risk management system of "A" Bank has been determined to be precise and transparent. The risk assessment of "A" bank encompasses both individual business units and the entirety of its banking operations, including groups, divisions, and subsidiaries. Furthermore, "A" Bank consistently anticipates the patterns of fluctuations in the regulatory framework and economic climate of the nation. It can be inferred that "A" Bank has a heightened level of risk assessment.

It has been discovered that "A" Bank implemented a regular practice of conducting inventory record accuracy checks as a preventive measure against fraudulent activities. The bank in question has implemented control operations across many levels, encompassing the establishment of systems that facilitate reviews at both the top-level and functional-level. Furthermore, Bank "A" has implemented control activities that serve as a means of internal control by assessing the individual performance of its workers. Hence, it can be inferred that "A" Bank exhibits a significant degree of control actions pertaining to fraudulent activities.

The distribution of crucial information to all workers in a timely manner by "A" Bank is attributed to the establishment of effective communication channels. These channels are designed to ensure that all employees possess a comprehensive understanding of the bank's policies, processes, and controls, and are able to adhere to them accordingly. This study examines the systematic techniques employed by "A" bank to effectively transmit pertinent and timely information to external stakeholders. Hence, it may be inferred that "A" Bank possesses a robust information and communication infrastructure.

Bank A consistently conducts regular internal reviews to assess the application of its internal controls. Additionally, the bank possesses tools that facilitate the monitoring and evaluation of these controls. The bank use a Management Information System (MIS) to establish a reliable database for the purpose of identifying, measuring, managing, monitoring, and mitigating risk in all aspects of its operations. Additionally, Bank A possesses an internal audit unit responsible for the development of an internal audit manual that outlines the procedures and guidelines for conducting audit operations. Thus, it can be inferred that "A" Bank exhibits a heightened degree of surveillance measures in order to assess the overall efficacy of its internal control protocols. Based on the average score, it can be determined that "A" bank exhibits commendable internal control practices.

Based on the findings derived from the Multiple Linear Regression analysis, it can be concluded that certain internal control practices, namely control environment, information and communication, and monitoring activities, exhibit a statistically significant positive impact on fraud prevention. Conversely, the variables of risk assessment and control activities do not demonstrate a significant effect on fraud prevention. In "A" bank, it is ensured that pertinent information is effectively communicated to the necessary staff members, and all workers are obligated to swiftly notify any shortcomings to the appropriate management level or the board of directors within "A" bank. The most notable impact on fraud prevention is attributed to the information and communication factor.

The regression analysis yields evidence supporting the notion that the implementation of fraud prevention measures has a statistically significant positive impact on the financial performance of "A" bank. The bank known as "A" has implemented a system to monitor its daily transactions with the aim of detecting and preventing any irregular activities. Additionally, the bank undergoes regular audits conducted by both internal and external organizations to identify and address any potential instances of fraud. Hence, it can be argued that the implementation of robust fraud prevention measures by a bank, hereafter referred to as "Bank A," can effectively mitigate instances of fraudulent activities and ultimately lead to favorable financial outcomes.

5.2 Suggestions and Recommendations

The primary area of attention for officials from "A" bank should be information and communication, as it has been identified as the most efficacious component in preventing fraud. Bank authorities should utilize intranet and forums as a means of centralizing all data and information. It is recommended that a financial institution engage in surveys and feedback mechanisms as a means to enhance the overall quality and operational efficiency of its services. Furthermore, it is imperative for "A" bank to effectively disseminate information while ensuring a suitable level of security and privacy, in accordance with relevant laws and regulations. Subsequently, ensuring that all personnel possess unambiguous and open access to information and effective channels of communication would effectively eliminate any potential for fraudulent activities. In order to establish an effective control environment, it is recommended that "A" bank implement an information system capable of supporting audit systems designed to detect fraudulent behaviors. Additionally, efforts should be made to construct a robust control environment that can effectively prevent fraudulent acts. Furthermore, it is imperative for the management of "A" bank to thoroughly review the reports and duly consider the recommendations provided by audits in order to identify and address any potential anomalies. It is imperative for "A" bank to have a robust compliance training program, as it plays a crucial role in fostering an ethical organizational culture.

The training program must to incorporate specific instances of ethical difficulties that are directly relevant to the employee's particular role. Subsequently, the implementation of a robust control environment will effectively mitigate instances of fraudulent behavior among personnel. In order to enhance the efficacy of monitoring activities, it is recommended that "A" bank use software solutions to oversee and track the actions of its personnel during their utilization of the bank's information technology infrastructure. Furthermore, it is imperative for the bank to effectively communicate to its employees that they are subject to monitoring. This measure is crucial as it promotes a sense of vigilance among employees, dissuading them from engaging in fraudulent activities. It is imperative for "A" bank to ensure that its workers possess a comprehensive understanding of the significance associated with logging out of the system, even when temporarily leaving their workstations. Subsequently, it becomes implausible for an unscrupulous employee to pilfer passwords or instigate fraudulent activities through their computing device. While risk assessment and control operations may not yield a substantial impact on fraud prevention, it is recommended that "A" bank conducts routine audits and controls on an annual basis, or more frequently if the business environment or internal controls necessitate it. Furthermore, it is recommended that "A" bank implements a core system capable of identifying and flagging dormant accounts. Subsequently, financial institutions such as banks or credit unions typically proceed to place the inactive account under a restricted status. By implementing this measure, the organization restricts access to the account to a select group of personnel, therefore mitigating the potential for embezzlement. By adhering to the aforementioned recommendations, Bank A will be capable of implementing more robust internal control measures, resulting in a substantial reduction in instances of internal fraud and ultimately leading to improved financial performance.

5.3 Need for Further Research

This study only examines the impact of internal control practices and fraud prevention on the financial performance of "A" bank. This study alone encompasses a sample size of 315 employees employed at "A" bank. Therefore, it should be noted that this study does not provide a comprehensive representation of the entire employee population at "A" bank or other employee populations within the banking context. Furthermore, it should be noted that this study does not provide a comprehensive representation of all banks in the Yangon region. This study is constrained in its extent since it just concentrated on a single financial institution, namely "A" bank. Hence, it is advisable to broaden the geographical scope to encompass all banks operating in Myanmar. Furthermore, future studies should aim to examine the relationship between leadership and non-financial performance, explore internal control techniques, and assess organizational effectiveness, among other areas of inquiry.

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APPENDIX - A
QUESTIONAIRE

Dear respondents,

The questionnaire is designed to get your valuable inputs for a Master of Banking and Finance (MBF) Program thesis entitled **Internal Control Practices, Fraud Prevention and Financial Performance of "A" Bank.** This is purely an opinion survey and used for the academic purpose maintaining confidentiality of response. Therefore, any suggestions, comments, and remarks highly appreciated and kept confidential. Thus, please feel free to let the survey get your valuable input by spending not more than 10 minutes of your time.

Part (I)
Demographic Information

1. Gender

□ Male

□ Female

2. Age Level

□ Age between 25-35

□ Age between 36-45

□ Age between 46-55

□ Age 56 and above

3. Previous Company Experience

□ Below 1 year

□ 1 - 3years

□ 4 - 6years

□ 7 - 10 years

4. Level of Education

□ Bachelor

□ Master

□ Post Graduate Diploma

□ Ph.D.

5. **Job position**

□ Assistant Supervisor

□ Supervisor

□ Deputy Manager

□ Manager

□ Senior Manager

□ Assistant General Manager

□ Deputy General Manager

□ General Manager & Above

6. **Year of services in Bank**

□ Below 1 year

□ 1 - 3years

□ 4 - 6years

□ 7 - 10 years

Part (II)

Effect of Internal Control System

Please tick as appropriate for yourself. The meanings of numbers are as follows: (1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree).

Control Environment Factors

No.	Statements	1	2	3	4	5
1	The roles and responsibilities of "A" Bank are clear.					
2	The employees of "A" Bank aware the guidelines of the operation.					
3	The environment of "A" Bank is enough to attain the bank 's objectives.					
4	Management provides feedback to the junior officers.					
5	Appropriate measures are taken to correct errors in operation of the accounting and finance management system.					
6	Strict adherence to the general values of ethics in the bank.					
7	The board is competent and strongly committed to implementation of recommendations from the internal audit.					

Risk Assessment Factors

No.	Statements	1	2	3	4	5
1	All key activities of "A" bank have been established.					
2	Potential problems and losses within each department are identified and assessed regularly.					
3	The targets and objectives have been modified according to potential risk.					
4	Risk assessment system of "A" Bank is accurate and clear.					
5	The bank forecast the trends of changes in the country's regulation and economic condition					
6	Management has a criterion for ascertainment of which fraud-related risks					
7	There is adequate capacity to perform risk assessments					
8	The bank has designed an appropriate strategy of identifying risks.					

Control Activities Factors

No.	Statements	1	2	3	4	5
1	The documentation flow is adequately identified in each department and adhered to accordingly.					
2	Staff are trained to implement the operation and financial management system.					
3	The checking process of inventory record accuracy is examined regularly.					
4	Control activities can measure employees' individual performance, as a tool of internal control.					
5	The bank has clear duties for the various financial functions.					
6	Control activities has affected the organization's operating costs.					

Information & Communication Factors

No.	Statements	1	2	3	4	5
1	"A" bank has processes in place to communicate relevant and timely information to customer.					
2	All employees understand the concept and importance of internal controls and responsibility					
3	"A" Bank has important information, it is distributed to all employees on time.					
4	"A" bank has processes in place to communicate relevant and timely information to external parties.					
5	Management has a good system of information and communication across all the bank departments.					
6	There exists the relationship between bank financial performance and timely report of information.					
7	The accuracy of the bank financial performance is depended upon the availability of accurate information and communication within the bank.					

Monitoring Factors

No.	Statements	1	2	3	4	5
1	Internal reviews of the implementation of internal control practices in units are conducted periodically.					
2	Adequate and timely actions are taken to correct deficiencies reported by external auditor.					
3	Management has proper tools for monitoring and evaluation.					
4	The bank's management routinely evaluates the overall effectiveness of all internal control practices.					
5	The internal audit unit in the bank has developed an internal audit manual that guides audit operations.					
6	The overall regular monitoring of the bank operations and alignment to objectives greatly influences the financial performance of the bank.					

Fraud Prevention

No.	Statements	1	2	3	4	5
1	The organization’s audit (internal and external) significantly contribute towards fraud prevention.					
2	The fraud prevention process is mostly relying on technology.					
3	Successful fraud prevention is depend on the support from the top management.					
4	Ethical organization’s culture influences by the successful fraud prevention in “A” Bank.					
5	The organizations have successfully implemented a great number of fraud prevention instruments.					
6	Selection of the suitable and effective fraud prevention instruments is enhanced by availability of expertise within the organization.					

Financial Performance Factors

No.	Statements	1	2	3	4	5
1	Internal control practices of “A” Bank has brought to favorable liquidity status.					
2	Internal control practices of “A” Bank help to minimize unnecessary costs.					
3	The profitability of “A” Bank from its internal control practices					
4	Internal control system of “A” Bank ensure the accuracy and reliability of financial records.					
5	Return on asset are increasing yearly.					
6	The net interest margin is enough to cover their cost of running the banking operations.					
7	“A” Bank has enough cash to meet its obligations effectively.					

Thank You for Your Kindly Participation.

APPENDIX - B

Descriptive Statistics

	N	Mean	Std. Deviation
CE	315	4.1270	.58420
RA	315	4.0429	.53393
CA	315	4.0868	.57325
IC	315	4.1764	.68306
Monitoring1	315	4.2407	.66559
FPrevention	315	4.1471	.66365
FP	315	4.1088	.57501
Valid N (listwise)	315		

Correlations

		CE	RA	CA	IC	Monitoring1	FPrevention	FP
CE	Pearson Correlation	1	.962**	.954**	.966**	.858**	.968**	.936**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	315	315	315	315	315	315	315
RA	Pearson Correlation	.962**	1	.948**	.948**	.832**	.947**	.923**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	315	315	315	315	315	315	315
CA	Pearson Correlation	.954**	.948**	1	.950**	.843**	.945**	.921**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	315	315	315	315	315	315	315
IC	Pearson Correlation	.966**	.948**	.950**	1	.850**	.983**	.925**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	315	315	315	315	315	315	315
Monitoring1	Pearson Correlation	.858**	.832**	.843**	.850**	1	.863**	.862**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	315	315	315	315	315	315	315
FPrevention	Pearson Correlation	.968**	.947**	.945**	.983**	.863**	1	.934**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	315	315	315	315	315	315	315
FP	Pearson Correlation	.936**	.923**	.921**	.925**	.862**	.934**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	315	315	315	315	315	315	315

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

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.986[a]	.973	.973	.11004	.973	2222.565	5	309	.000	2.033

a. Predictors: (Constant), Monitoring1, RA, CA, IC, CE

b. Dependent Variable: FPrevention

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	134.555	5	26.911	2222.565	.000[b]
	Residual	3.741	309	.012		
	Total	138.296	314			

a. Dependent Variable: FPrevention

b. Predictors: (Constant), Monitoring1, RA, CA, IC, CE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.092	.054		-1.706	.089		
	CE	.229	.053	.202	4.361	.000	.041	24.423
	RA	.046	.046	.037	.990	.323	.063	15.964
	CA	-.007	.041	-.006	-.168	.866	.070	14.250
	IC	.678	.039	.698	17.553	.000	.055	18.076
	Monitoring1	.071	.018	.071	3.854	.000	.255	3.928

a. Dependent Variable: FPrevention

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934[a]	.872	.872	.20584

a. Predictors: (Constant), FPrevention

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	90.557	1	90.557	2137.254	.000[b]
	Residual	13.262	313	.042		
	Total	103.819	314			

a. Dependent Variable: FP

b. Predictors: (Constant), FPrevention

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.753	.074		10.244	.000
	FPrevention	.809	.018	.934	46.230	.000

a. Dependent Variable: FP