UGANDA MANAGEMENT INSTITUTE

INTERNAL CONTROLS AND FINANCIAL MANAGEMENT IN FAITH BASED ORGANIZATIONS: A CASE STUDY OF SEVENTH-DAY ADVENTIST CHURCH CENTRAL UGANDA CONFERENCE

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AUGUST, 2013

DECLARATION

I **Edward Miiro** hereby declare that this work is my own except in instances where I used scholarly literature and cited it appropriately. This dissertation has not been submitted to any higher institution of learning for another degree or qualification.

Signature: _____

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DATE: **August 12, 2013**

APPROVAL

This is to certify that this dissertation entitled "**Internal Controls and Financial Management in faith based organizations: A case study of Seventh-day Adventist Church Central Uganda Conference"** is original work of Edward Miiro produced under our supervision for an award of a Masters Degree in Management Studies (Financial Management Option). It is hereby submitted as a permanent book after examination.

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Date: _____

DEDICATION

This work is dedicated to my dear Mother whose effort is the cause of a smile on my face and that of many others who find me beneficial in their lives.

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My sincere and great thanks goes to my supervisors Dr. Saturninus Kasozi Mulindwa and Mr. John Kittobbe who gave me courage and professional guidance throughout the time of my study. Special thanks go to the research assistants for their tireless efforts and contributions made during data collection and analysis.

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TABLE OF CONTENTS

DECLARATION i

APPROVAL ii

DEDICATION iii

ACKNOWLEDGEMENT iv

TABLE OF CONTENTS v

LIST OF TABLES x

LIST OF ABBREVIATIONS xii

ABSTRACT xiii

CHAPTER ONE 1

INTRODUCTION 1

1.1 Introduction 1

1.2 Background to the Study 2

1.2.1 Historical Background 2

1.2.2 Theoretical Background 3

1.2.3 Conceptual Background 5

1.2.4 Contextual Background 6

1.3 Statement of the Problem 9

1.4. Purpose of the Study 10

1.5 Specific Objectives of the study 10

1.6 Research questions 10

1.7 Hypotheses of the Study 10

1.8 Conceptual Framework 11

1.9 Significance of the Study 12

1.10 Justification of the Study 12

1.11 Scope of study 13
1.11.1 Content Scope 13
1.11.2 Geographical Scope 13
1.11.3 Time scope 13
1.12 Assumptions and limitation to the study 14
1.13 Operational Definition 14
CHAPTER TWO 16
LITERATURE REVIEW 16
2.1 Introduction 16
2.2 Theoretical Review 16
2.2.1. COSO Model 17
2.2.2. Agency Model 19
2.3 CONTROL ENVIRONMENT AND FINANCIAL MANAGEMENT 22
2.3.1 Technical Competence 24
2.3.2 Assignment of Authority, Responsibility and Financial Managament 24
2.4. CONTROL ACTIVITIES AND FINANCIAL MANAGEMENT 24
2.4.1 Written Policies 27
2.4.2 Segregation of duties 27
2.5 MONITORING AND FINANCIAL MANAGEMENT 28
2.5.1 Managament supervision and Financial Management 28
2.5.2 Response mechanism and Financial management 29
2.6 FINANCIAL MANAGEMENT 31
2.6.1. Accountability and Internal control Auditing 31
2.6.2 Budgeting 31
2.7. SUMMARY OF LITERATURE REVIEW 32

CHAPTER THREE 33

METHODOLOGY 33

3.1 Introduction 33

3.2 Research Design 33

3.3 Study Population 34

3.3.1. Accessible Population 34

3.4 Sample Size and Selection 34

3.5 Sampling Techniques and Procedures 35

3.6. Data Collection Methods 36

3.6.1 Questionnaire Method 36

3.6.2 Interview Method 36

3.7 Data Collection Instruments 36

3.7.1. Questionnaires 36

3.7.2. Interviewing Schedule 37

3.8 Reliability and Validity of instruments 37

3.8.1 Validity 37

3.8.2 Reliability 38

3.9 Procedure of Data Collection 39

3.10 Data Management and Analysis 39

3.10.1 Quantitative Data 39

3.10.2 Qualitative Data 40

3.11 Measurement of Variables 40

CHAPTER FOUR 41

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA 41

4.1 Introduction 41

4.2 Response Rate 41
4.3 Demographic Information 42
4.3.1 Name of the Church 42
4.3.2 Gender of the Respondents 43
4.3.3 Age of Respondents 44
4.3.4 Participating in Management of the Church 44
4.3.5 Level of Education attained 45
4.4 Control Environment and Management of Financial Resources 46
4.4.1 Correlation results for Control Environment and Financial Management 49
4.4.2 Regression results for Control environment and Financial management 50
4.5 Control Activities and Financial Management of resources 52
4.5.1 Correlation results for Control activities and Financial management 55
4.5.2 Regression Results for Control Activities and Financial Management 55
4.6 Monitoring and Financial Management of resources 58
4.6.1 Correlation results for Monitoring and Financial management 60
4.6.2 Regression Results 60
4.7 Financial Management 62
CHAPTER FIVE 71
SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS 71
5.0 Introduction 71
5.1 Summary of the Study 71
5.1.1: Control environment and management of Financial resources 71
5.1.2: Control activities and Management of Financial resources 71
5.1.3 Monitoring and Financial management of resources 71
5.2 Discussion of Findings 72

5.2.1: Control environment and Management of Financial resources 72
5.2.2: Control activities in Financial management of resources 74
5.2.3 Monitoring and Financial management of resources 77
5.3 Conclusion of the Study 79
5.3.1 Control environment and Management of financial resources 79
5.3.2: Control activities and Management of financial resources 80
5.3.3: Monitoring and Management of financial resources 80
5.4 Recommendation to the Study 80
5.4.1 Control environment and Management of financial resources 80
5.4.2 Control activities and Management of financial resources 81
5.4.3 Monitoring and Management of financial resources.....81
5.5 Limitation of the Study 81
5.6 Contributions of the Study 82
5.7 Areas of further study 82
APPENDIX 1: QUESTIONNAIRE FOR LOCAL CHURCH LEADERS i
APPENDIX II: Interview Guide vii
APPENDIX III: Krejcie and Morgan Population Table (1970)..... viii
APPENDIX IV: UMI Field Research Letters ix

LIST OF TABLES

Table 1: The missing or unreported trust funds in Uganda shillings……..7

Table 2: Unreported financial reports in some church districts in 2010……8

Table 3.1: Accessible Population and Sample size……35

Table 3.2: Reliability Results …….. 38

Table 4.1: Response Rate Summary …….. 41

Table 4.2: Name of Church …….. 42

Table 4.3: Age of Respondents …… 44

Table 4.4: Level of Education ……. 45

Table 4.5: Descriptive Statements on Environment and Financial Management…… 46

Table 4.6: Correlation Results for Environment and Financial Management……. 49

Table 4.7: Model Summary results for objective one…….. 50

Table 4.8: Descriptive Statements on Control Activities and Financial Management……. 50

Table 4.9: Correlation Results for Control Activities and Financial Management ……. 51

Table 4.10: Model Summary results for objective two …….. 52

Table 4.11: Descriptive Statements on Monitoring and Financial Management ……... 55

Table 4.12 Correlation Results for Monitoring and Financial Management ……. 56

Table 4.13: Model Summary results for objective three …….. 57

Table 4.14: Descriptive Statements on Financial Management …….. 57

LIST OF FIGURES

Figure 1: Diagrammatic presentation of COSO model …….. 4

Figure 2: Conceptual framework …….. 11

Figure 3: Gender of Respondents …… 43

Figure 4: Period taken participating in management of Church affairs …….. 45

LIST OF ABBREVIATIONS

COSO	-	Committee of Sponsoring Organizations of Treadway Commission
CUC	-	Central Uganda Conference
CVI	-	Content Validity Index
GC	-	General Conference
GCAS	-	General Conference Auditing Services
ICAEW	-	Institute of Chartered Accountants in England and Wales
ICS	-	Internal Control System
KPMG	-	Peat Marwick International and Klynveld Main Goerdeler
NSSF	-	National Social Security Fund
PCAOB	-	Public Company Accounting Oversight Board
SDA	-	Seventh Day Adventist
SEC	-	Securities and Exchange Commission
SPSS	-	Statistical Package for Social Scientists
UMI	-	Uganda Management Institute
IFAC	-	International Federation of Accountants

ABSTRACT

The study examined the effect of internal controls on financial management in faith based organizations with Seventh-day Adventist Church in Central Uganda Conference as a case study. Objectives of the study included; examining the effect of control environment on management of finances, examining the effectiveness of control activities and establishing the effect of control monitoring, all on the financial management of SDA Church. The period of focus was between 2007 and 2010. The research adopted a cross-sectional survey design and triangulated both qualitative and quantitative methods. Sample size of 105 respondents was drawn from an accessible population of 125 respondents using both simple random and _____ sampling. Methods of data collection included mainly questionnaire survey and interview schedules with questionnaires and interview guides used as instruments. 100% response rate was realized. Findings revealed a significant positive relationship for all variables thus control environment (.396**), control activities (.304**) and control monitoring (.330**) with financial management. Regression results indicated 14.8% (control environment), 8.4% control activities and 10.0% control monitoring variation or effect on financial management. Recommendation and Conclusion made is that other than faith, SDA churches need strong internal controls at local church level for safe guarding the finances and increasing donor's confidence for continued inflow of funds.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The implementation, assessment, and monitoring of effective internal control systems is believed to be a key determinant of financial Management and reporting quality. According to Nerissa, Pott and Wompener (2008), high-quality internal controls curtail the intentional manipulation of organization resource; information reported to outsiders, reduces and mitigates the inherent risks of business operations and strategies that may affect the quality of reported information. Financial management is the management of an organization's finances in order to achieve financial objectives which include creation of wealth, generation of cash and return on investment. The process of financial management involves financial planning, financial decision making and financial control. Financial control being critically important in addressing questions such as efficient use of assets, security of assets and whether management is acting in the best interest of the stakeholders.

The study examined the effects of internal controls on financial management. In the study, two variables were critically focused on, that is: Internal control as the independent variable conceptualized to include, control environment, control activities and monitoring while Financial management is taken in as the dependent variable conceptualized into; cash flow management, budgeting and accountability.

This chapter comprises of the background of the study, the statement of the problem, research objectives, research questions, research hypotheses, conceptual frame work, significance, justification, scope, assumptions, limitations and operational definitions of terms and concepts.

1.2 Background to the Study

1.2.1 Historical Background

For many years there has been a call by the general public for safety and effective utilization of public funds/resources, which has resulted in increased requirement for effective internal controls. This was addressed when in 1992 the COSO Model was published and the Sarbanes Oxley act of 2002 which requires improvement and strengthening of the internal control systems for every public organization. It should be noted that because of such calls the policy requirement in the Seventh Day Adventist church is for all entities to adhere to strong internal control systems (ICS) for safety of church resources.

According to Cunningham (2004), poor controls have led to inefficient business operations and loss of assets and therefore adequate precautions and practices should be implemented to safeguard finances and business assets. Accordingly the primary objective of the control system is to ensure efficient and effective operations, accurate and reliable financial reporting, compliance with policies and regulations which results in safeguarding the entity's assets, (Tipgos, 2002).

Pandey and Bhat (1990) assert that in theory the financial goal of an organization is to maximize the stakeholder's wealth. It is also known that, the function of raising funds and investing assets is a financial decision and while performing it an attempt should be made to balance cash inflows with outflows which can be easily done through implementation of strong internal controls.

According to West and Zech (2005), the importance and the general inadequacy of internal financial controls in any church needs to be seriously addressed. They emphasized the need

to focus on the relationship between the spiritual aspects of a church and its accounting practices. According to Ratcliffe and Landes (2009), internal controls include techniques used by management to achieve its objectives and meet its responsibilities in three distinct categories, that is, effectiveness and efficiency of operations, reliability of financial reporting and compliance with the law and regulations.

The Seventh-day Adventist church is a Christian faith based institution with a mission of serving the whole person and taking Christ's gospel to the whole world,(SDA church manual ,2010) .The headquarters are in Maryland - United States of America. The main governing body is called the General Conference (GC), headed by the General Conference Executive committee. Following in the structure are the Divisions which are regional bodies; these are followed by the Unions which are made up of conferences and Fields that are made up of church districts which comprise of local churches. The local church is the smallest unit and it is here that we find church membership.

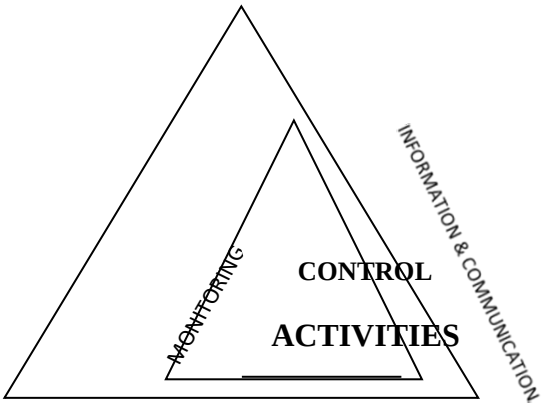
1.2.2 Theoretical Background

Both the Committee of Sponsoring Organizations of Treadway Commission Model (COSO model) and principal-agency theory were employed. The COSO model addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of resources. It also relates to the preparation of reliable published financial statements, plus dealing with complying with those laws and regulations to which the entity is subject.

The principal-agency theory gives an insight in the relationship of stewardship which is a major principle in SDA Church management. The principal in principal-agency theory represents someone who delegates. The agent represents someone to whom authority is

delegated these are the Church leaders who are expected to comply with set policies to fulfill their stewardship role. The COSO model looks at five interrelated components which include; control environment, risk assessment, control activities, information and communication plus monitoring. The components target ensuring security and effective utilization of organizational resources. The model reveals that no entity is likely to be successful in its financial management without proper controls in its management systems.

Figure 1: Diagrammatic presentation of COSO model



Source: Committee of Sponsoring Organization of the Tread way Commission 2004(www.coso.org)

During the study, the researcher studied three of the underlying dimensions of internal control as stated by COSO model, which included; Control environment, Control activities and monitoring. These formed the independent variable while financial management was the dependent variable.

1.2.3 Conceptual Background

Two key broad concepts were addressed in the study, these included; Internal control that comprised of control environment, control activities and monitoring, while the second concept was financial management of an organization which constituted of cash flow management, budgeting and accountability.

In this study, control environment, is the control consciousness of an organization, it is the atmosphere in which people conduct their activities and carry out their control responsibilities. An effective control environment ensures that competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way, Frimpong et al, 2012. The control environment encompasses technical competence and ethical commitment; it is an intangible factor that is essential to effective internal control.

In the study, control activities were actions, supported by policies and procedures that when carried out properly and in a timely manner, manage or reduce risks. Control activities included approvals, authorizations, verifications, reconciliations, reviews of performance, security of assets, and segregation of duties.

The monitoring indicator in this study involved the assessment of internal control performance over time, it was accomplished by ongoing monitoring activities and by separate evaluations of internal control such as self-assessments, peer reviews. The purpose of monitoring was to determine whether internal controls were adequately designed, properly executed and effective, (Mullins 2002).

Financial management refers to functions in an organization that are concerned with the raising and allocation of resources in order to attain organisational goals. Kobusigye (2005) states that in financial management, not only must resources be acquired and allocated within the organization for the day-to-day use, they must also be efficiently and prudently used. The organization must not only ensure that this happens, but it should also endeavor to prove that it happens, (Public Finance and Accountability Act section 8(3) (d), 2003).

Gildenhuys (1997) asserts that, for long range financial management success, the stream of managerial decisions must generate plans, actions and controls to provide the essential inflows that are necessary to support the budgeted outflows of an organization, so that reasonable levels of returns on investment are earned. Continued generation of surplus by managerial manipulation of inflows and outflows, proves the substance of internal controls in the management of an organization.

1.2.4 Contextual Background

Unlike corporations which provide annually financial statements to the Board of Directors and hold yearly conferences with outside analysts, the Church is subject to almost no recurring outside financial and resource scrutiny. The SDA Church General Conference established recommended guidelines for all church financial management, SDA Church General Conference policy, (2007). There are vivid indicators from local Church administration of failure in the management of Church finances while church members claim to be doing their honest part to support God's work. Some Churches neglect budgeting and spend without the Church Board approval for example, between 2007 and 2010; SDA Church Makerere spent 44,500,000/=(Uganda shilling forty four million five hundred thousand) in

excess of its income which is against SDA Church policy, SDA Church Makerere Treasurer's report (2010).

Personalizing of Church resources by some Church Treasurers like the 7,000,000/= (Seven million only) of SDA Church Namungona in 2009, SDA Makerere church land was taken over by Rubaga Division for road use in 2007, (Church Board report, 2007). Cases of unremitted Trust funds to Central Uganda Conference Treasury are common, for example SDA Mt Olive failing to remit 39,500,000/=(thirty five million five hundred thousand only) in 2009 and 18,500,000/=(eighteen million five hundred thousand only) during 2010, CUC Internal Auditors report (2009-2010). Report from CUC Treasury shows that, Uganda shs. 93,000,000/= (Ninety three million shillings only) had to be released by the Church to rescue Kireka Church land by compensating illegal encroachers. The CUC treasury report (2007-2010) shows that Uganda shs 800,000,000/= (Eight hundred million shillings only) had been returned by Christians directly to the conference and not through the local churches which also brings a question to local level management. In some cases the pastors and local Church elders have not abided by Church policies and they find Church resource wasted, as indicated in the tables:

Table 1: The missing or unreported trust funds in Uganda shillings

Church	**Missing funds**	**Year**
Namungoona	7,000,000/=	2010
Nakaseke	3,450,000/=	2009
Mount Olive	53,500,000/=	2009-2010
Bweyogerere	1,700,000/=	2009
Najjanankumbi	18,000,000/=	2007

Source: CUC Treasury Office Year (2010)

The table above shows some of the entities that were indebted to the head office as a result of funds that were not forwarded after being received by the local church treasurers.

Table 2: Unreported financial reports in some church districts in 2010

DISTRICT	Expected Reports	Reported	Un-Reported
Mityana	1404	1224	180
Katikamu	266	197	69
Makerere	833	730	103
Najjanankumbi	568	564	4
Kireka	360	292	68
Nakaseke	980	781	207
Nakasongola	1040	919	121
Busega	396	233	163

Source: CUC Treasury Office Year (2010)

The table above gives a sample detail of how local churches fail to remit financial reports to the head office which is a sign of a growing problem in the management system.

Financial scandals such as Enron scandal contributed to the passage of the Sarbanes Oxley Act in 2002. This has resulted in many organizations undergoing intensive review, analysis and testing of their internal control structures and the SDA Church cannot be left out. Krogstad (2010) states that, the continued flow of financial and other resources to the Seventh-day Adventist Church and its institutions in support of its mission driven activities is largely dependent on the continued confidence of constituents and other stakeholders in the organizational leadership and their stewardship role.

1.3 Statement of the Problem

According to General Conference Policies, (2007), all entities within a conference are expected to implement internal control systems, engage competent staff at all church levels to ensure safety of Church financial resources and to give reasonable assurance to Church members. Further to it is for all entities within the Conference to be self supporting in all aspects including proper management of financial resources. This is perfectly practiced at higher institution as a core policy requirement and closely monitored by General Conference Auditing Services (GCAS)

There has been continued failure at the local church to stamp out cases of loss of funds and failure to remit trust funds to higher organization as expected, case in point is of Uganda shilling 53,000,000/= unremitted in time by SDA Mt Olive in 2009-2010. Uganda shilling 800,000,000/= million being tithe and offerings returned directly to the conference treasury in the period 2007-2010 instead of using the local churches brings a big question and 915 financial reports (Table 2) did not come to the Head Office (central pull) which could be another indicator of serious financial mismanagement at congregation level and a cause for lack of trust in the whole system at the local church.

Could it be poor financial internal controls at the local Church level leading to such losses and mistrust? This has compelled the researcher to carry out a study with an aim of establishing the effect of internal controls on financial management of Faith based organizations.

1.4. Purpose of the Study

The purpose was to study the effect of internal controls on the financial management in Seventh-day Adventist Church in Central Uganda Conference.

1.5 Specific Objectives of the study

Below are the specific objectives that guided the study.

1) To examine the effect of control environment on the management of financial resources in SDA Church.
2) To examine the effectiveness of control activities in the management of financial resources in SDA Church.
3) To establish the effect of monitoring on the financial management of SDA Church.

1.6. Research questions

Below are research questions that guided the study

1) Is the control environment effective in the management of financial resources in SDA church?
2) What is the effect of control activities on financial management?
3) What is the relationship between monitoring and effective financial management?

1.7. Hypotheses of the Study

The following hypotheses will be used in this study

1) Control environment has significant positive effect in the financial management.
2) There is a significant positive relationship between Control activities and financial management.
3) There is a positive relationship between Monitoring and financial management in the SDA Church.

1.8 Conceptual Framework

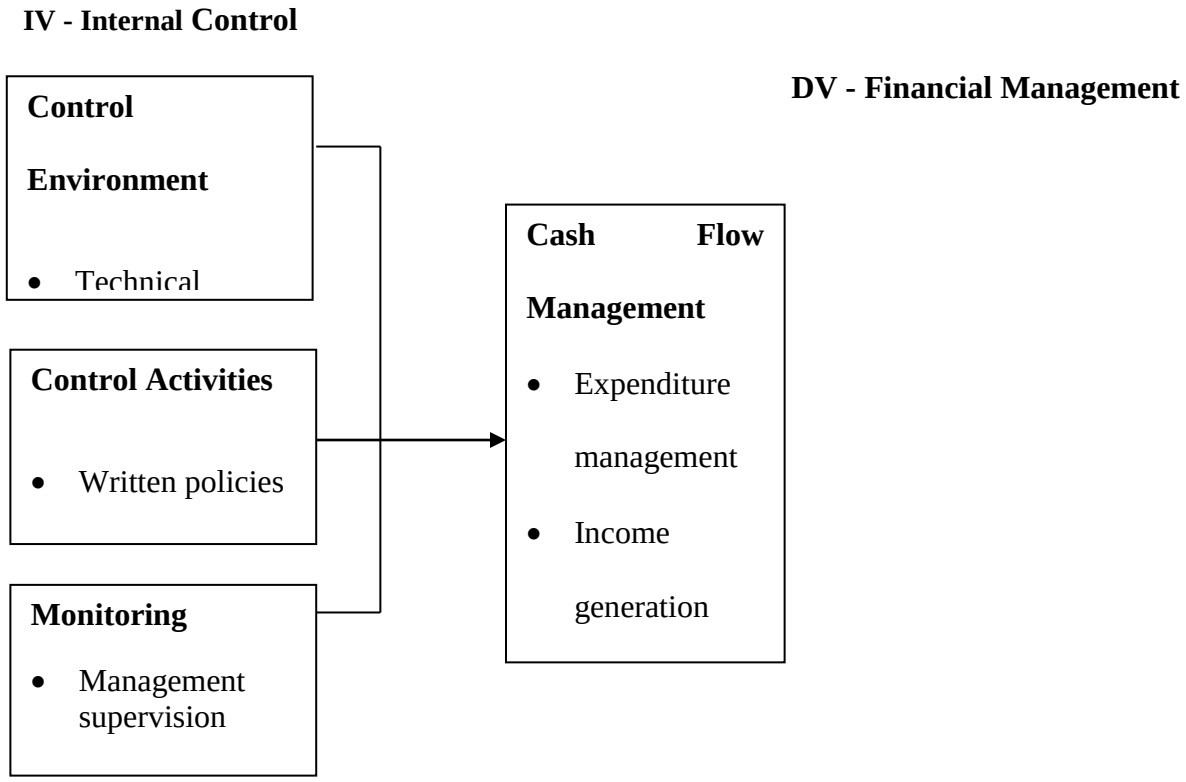


Figure 2: Conceptual framework showing the relationship between internal controls and financial management of the **SDA Church.**

Source: Treadway Commission (1994), COSO Internal Control Framework and Principal-Agency Theory (2006 Wiley Periodicals) as modified by the researcher.

The conceptual frame work above relates internal controls as an independent variable and its effect on the financial management as a dependent variable. It is hypothesized that effective and good internal controls improves the financial management which in turn ensures good

financial performance and the reverse is also true. The internal control is conceptualized as an independent variable and it is operationalised into control environment, control activities and monitoring while financial management is conceptualized as a dependent variable operationalised as, cash flow management, budgeting and accountability.

1.9 Significance of the Study

Institution: The Cadbury report (2002) emphasized internal controls as a tool to ensure effective utilization of organizational resources for efficient performance including financial performance. Therefore the study aimed at helping the Faith based organizations and in particular, Seventh-day Adventist Church Administrators to understand why it is important to follow professionalism instead of mutual trust based on one's spirituality in the management of Church affairs.

Society: The study is helping society to appreciate different factors which determine financial prosperity and failure of Faith based organizations.

Academia: The findings of this study are contributing to existing knowledge and literature about the effects of control environment, control activities and monitoring as dimensions of internal control and their effect on Faith based organization financial management.

1.10 Justification of the Study

According to Mugenda and Mugenda (1999), justification of the study highlights the reasons for conducting the study as well as the importance of carrying it out. Research has been carried out in the area of internal controls and organization's financial management but the researcher in this particular study is interested in the effect of internal control on the financial management of Seventh - day Adventist Local Church. This area has not specifically been studied in Uganda and it will help the Church save most of what it may not be saving today.

1.11 Scope of study

1.11.1 Content Scope

The study focused on three dimensions of internal control, control environment; control activities and monitoring other dimension of internal control were beyond the scope of this study and their effect on financial management in the dimensions of Cash flow management, budgeting and accountability. Other dimensions of financial management were beyond the scope of this study. A summary of this is reflected in the conceptual frame work above.

1.11.2 Geographical Scope

The study focused on only five Seventh-day Adventist churches. These were Makerere and Najjanankumbi found in Rubaga Division and Luzira found in Nakawa Division of Kampala District which is one of the political districts making up Uganda. This was because SDA Church Makerere and Najjanankumbi are some of the pace setter congregations and Luzira is in to represent the medium congregations and Kampala District being the resource engine of Central Uganda Conference. Further still consideration for up country churches focused on Mityana and Nyendo found in Mityana and Masaka political districts respectively. The five were seen as a true representation of what was happening in other SDA Churches in Central Uganda Conference as a whole.

1.11.3 Time scope

The study focused on the period of four years of operation dating from 2007 to 2010. This was because it was within these years that emphasis was on having internal controls implemented in the running of local Church business, Kiggundu report, (2005).

1.12 Assumptions and limitation to the study

The assumption here is that, the financial management of Seventh-day Adventist Church depends on the efficient internal controls in place and the church has accurate records to be studied. The main limitations include:

1) Although the study was carried out in the above five churches it is assumed the results can be the same if we had used any of the remaining congregations.
2) Concealing of facts as by church leaders. This was mitigated by assuring those responsible of the security of information provided and that the information provided being met for academic work only. In order to preserve anonymity and encourage respondents to speak freely, the researcher did not attribute thoughts and quotations to individuals who will be interviewed.

1.13 Operational Definition

During the study, the following terms carried the defined meanings as listed below.

Internal Control: Are processes and procedures to be followed by an entity's personnel, designed to provide reasonable assurance regarding the achievement of the organization's objectives.

Control Environment: Here we refer to the Managerial processes that enable the running of an institution. We only take out two dimensions during this study, technical competence and assignment of authority and responsibility of employees

Control Activities: These refer to procedures put in place to be followed by employees in execution of their duties in order to achieve Church financial objectives.

Monitoring: Here we consider procedures intended for verification of Church business by those entrusted with supervision role to ensure Church business is run as expected to achieve set objectives.

Financial management: Refers to how finances are handled and managed for the good of the Church in achieving set objectives and fulfilling the donor/church member's objectives.

Policies and procedures: Are systems established by an organization for its operational purposes.

Cash flow management: Refers to the handling of Church cash inflows (income) and cash outflows (expenditure) representing the Church's operating activities.

Budgetary management: Refers to the organization and coordination of the budget process of the Church which determines the comprehensiveness of the Church budget.

Church: Refers to the local church entities having the church members who contribute the church resources

SDA Church Central Uganda Conference: Refers to the Seventh-day Adventist church administrative area covering the current Buganda kingdom in Uganda

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the research findings by other researchers, writers and theorists about the problem identified in chapter one. Some studies have been done on the effects of internal controls on the financial management of faith based institutions but none has been done in Uganda's Seventh-day Adventist Church. In order to get further insight into how to go about this problem, the researcher reviewed both primary and secondary sources of related literature from books, journals, and internet and news papers.

This review will be presented according to themes derived from already stated research objectives. The literature in libraries covers a variety of theories and models. This review will focus on internal control in the dimensions of environment control, control activity and monitoring and how these affect financial management in the dimensions of, cash flow management, budgeting and accountability

2.2 Theoretical Review

Two Theories were advanced to explain the effect of internal control on the financial management of an organization. The COSO model by the committee of sponsoring organizations of the Tread way Commission (1992) advanced to present the internal control emphasis in organizations and the principal- agency theory which builds on the principle that owners of resources need other people to assist them in the management of their resources since not all owners can professionally manage every area/unit of their business.

2.2.1. COSO Model

The National Commission on Fraudulent Financial Reporting was formed in 1985 to study the causal factors that can lead to financial frauds, and to develop recommendations for public companies, independent auditors, the US Securities and Exchange Commission (SEC), other regulators, and the educational institution. The commission chaired by James C. Treadway Jr. COSO was formed the same year to sponsor the work of what became commonly referred to as the Treadway Commission. One of the major conclusions of the commission was that the best way to prevent major financial frauds was to improve internal control. COSO developed a model of internal controls, promulgated it among members of the various stakeholder organizations and in 1992, published what now is referred to as the COSO Model of Internal Control, **hht:/www.coso.org**. The Sarbanes-Oxley Act of 2002 requires management to evaluate internal controls every year and requires financial auditors to opine on the evaluation of internal control over financial reporting, McNally (2013).

Public Company Accounting Oversight Board (PCAOB), recommended the COSO model as a way to evaluate and report on internal controls. Thus, Audit standard two entrenched the COSO model as a tool that auditors, internal and external, needed to understand, especially in applying it to section 404 Sarbanes-Oxley Act, evaluations of internal controls, McNally (2013). The relevance of internal controls to a church system where Christianity (spirituality) is at its maximum is what we need to evaluate during this study in the SDA church.

According to COSO (1992), the internal control system has three primary objectives:

• Effectiveness and efficiency of operations.

• Reliability of financial reporting.

• Compliance with applicable laws and regulations.

The objective of COSO Model's emphasis for strong internal controls rimes with the interests of the General Conference of the SDA church, in ensuring good governance and operation of church financial systems, SDA church accounting manual (2009) and SDA working policy (2007). COSO identifies essential components of an effective internal control system as, control environment, risk assessment, control activities, information and communication, and monitoring, (**www.coso.org/aboutus.htm**). These elements must be present and functioning effectively for any internal control system to achieve organization's objectives. For purposes of this study only three elements will be employed. These are, control environment, control activities and monitoring

The SDA General Conference's interests points at implementation of internal controls at all church management levels to combat loss of church finances and assets, SDA Accounting Manual (2009). Which is supported by the COSO framework but Local church leaders seem not see the relevance of internal controls given its complexity and spirituality assertions by those involved in church management.

Though COSO emphasized the elements of internal control, it still remains a big question as to whether it should worry in a church setting given the spiritual emphasis at the expense of professionalism in the management of church affairs, Bible 1st Timothy 3:1-13. Kiggundu (2008) reports indicated existence of signs of unfaithfulness in financial management in the church and the need for it to be addressed. The researcher believes the COSO model's proposed components of control environment, control activities and monitoring if applied as it is in other businesses that have overcome fraudulent dealings could go a long way to help the church.

The SOX Act of 2003 *(*www.finance.go.ug/dmdocuments) requires the management of all public companies to report on internal controls of their organization in their annual report, which provides the board of directors with an oversight of the organization in operation and management. This is further emphasized in the public finance and accountability regulations 2003, regulation 30 (2) (i) which requires the audit committee to facilitate risk assessment to determine the amount of risk exposure of the entity's assets and the probability of loss occurring with a view to mitigate the risk.

According to Amudo and Inanga (2009), COSO framework did not recognize and capture the delicate balance between formal and informal controls in smaller organizations and how could internal controls be effective when only few of the components recommended by COSO are present? They further noted that COSO's failure to recognize IT as a control component motivated other bodies to design and develop frameworks to remedy the omission. One such framework is the Control Objectives for Information and Related Technology (COBIT 1996, 1998, 2000, 2005, 2007). Information Technology (IT) as one of the major control components. IT is crucial to an internal control framework. Today, organizations use IT for initiation, authorization, recording and processing of transactions. IT ensures effectiveness of internal controls. It is on that basis that we find a need to bring in another theory to help argument the study.

2.2.2. Agency Model

A number of empirical studies investigating the organization of financial management in firms have focused on the adoption of specific practices or techniques. In comparison to firms, churches were often found to use less and less sophisticated finance and management accounting practices.

Agency theory underpins the relationship between the principal and the agent. Within the context of the firm, agency theory is primarily concerned with owner-manager relationship and with the need for shareholders to monitor management behavior (**www.investorwords.com/6398/agency_theory. htm1**). This need arises due to the separation of ownership and control and the associated conflicts of interests that arise between owners and managers. In the church context, we have the church members and the church leaders. According to Berger and Di Patti, (2002) the value of the firm is the present value of expected future profits, so the deviation from the profits that the industry's best management would achieve should be reasonably close or proportional to shareholder losses from agency costs. They argued that the observed behavior of the best-practice firms is about as close as an approximation as possible to how a firm would behave if agency costs were minimized.

Fontrodona and Sison (2006) quote Coase to have explained that moral hazard and adverse selection affects the output of the agent in two ways, not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This therefore, affects the overall performance of the relationship as well as the benefits of the principal in form of cash residual. This can be checked by the principal employing an expert to monitor the agent which emphasizes the need for monitoring in any management system.

According to Manos (2002**),** monitoring of the firm and its management is helpful in reducing agency conflicts and in convincing the market that the managers are not in a position to abuse their position. The application of internal controls in the church management will improve monitoring which will assure the church members of the safety of their resources. Mitzkus(2013) quotes, Jensen and Mecklig to have asserted that monitoring includes more than just measuring or observing the behavior of the agent. It includes efforts

on the part of the principal to 'control' the behavior of the agent through budget restrictions, compensation policies, operating rules and reliable channels of communication in order to protect share holder interests by enabling them to judge managerial performance in their role as stewards of corporate resources. Looking at the foregoing statement, all we end up with are proper internal controls and knowing that SDA church leaders only manage the church on behalf of the church members therefore their interests need to be taken care of.

Holt and DeZoort (2006), observe that the cognitive dissonance theory suggests that investors will seek information in an attempt to reduce the psychological tension that occurs as a result of the information risk associated with an investment. Their study revealed an increase in investor confidence in financial management and reporting reliability, through effective internal control system and reporting. We find that this has not been practiced in the church setting at the local level." Could this be one of the reasons to explain the losses and mistrust by some church members at the local church levels?" This calls for a keen check through the SDA church system which emphasizes spirituality at the expense of professionalism.

Research on delegation, (Lupia 2001) shows that agency loss is minimized when two statements are true; that is the principal and agent share common interests and that the principal is knowledgeable about the consequences of the agent's activities. In other words, principals know enough about their agents' actions to determine whether or not these actions serve their interests. Lipsey and Chrystal,(1999) Emphasized that when ownership and control are separated the interest of the agent will tend to lower the principal's benefit unless the stewardship role of an agent has been closely monitored. In the context of the SDA Church, the owners of the resources are the Church members whose interests have been entrusted with the Church Administrator who are the agents, whose election to the administrative positions is based on the spirituality of a person coupled with faithfulness to

the church standards. This brings in a question as to whether we need strong controls in an environment full of volunteers thus warranting this study.

Seventh-Day Adventist minister's handbook (page 146) states that pastors should be seen as models of careful and faithful stewardship who promote sound financial management in the church while clearly recognizing that funds given as an act of worship to God should be managed in a way The would approve. It must be recognized that no system of control can eliminate the risk of fraud. The Church has also to change the resource management style if it is to survive in the near future. The study tries to establish the applicability of internal control in a local church to safeguard its resources as portrayed in the reviewed literature.

2.3 CONTROL ENVIRONMENT AND FINANCIAL MANAGEMENT

This is the foundation for all other components of internal control, providing discipline and structure and encompassing technical competence, assignment of authority and responsibilities. According to Anderson (1977), managers must evaluate the internal control environment in their own departments as the first step in the process of ensuring existence of internal controls. Many factors determine the control environment but for the purpose of this research, only two will be identified for consideration; technical competence and assignment of authority and responsibility.

According to DiNapoli (2010), managers and department heads are generally responsible for identifying potential risks, designing and implementing controls for their areas of responsibility, and keeping current with events and changes that affect the controls they have put into place. Operational managers, however, rely upon the executive officers to provide the leadership and the entity-wide communication needed to foster an integrated internal control framework. Mawanda (2011) asserts that software vendors that market enterprise

resource planning (ERP) systems have taken advantage of the new focus on internal controls by emphasizing that a key feature of ERP systems is the use of "built-in" controls that mirror a firm's infrastructure. The applicability of this is not clearly explained in a church setting so we try to establish it.

Control environment is influenced by the history and the culture of the organization and has a pervasive influence on the way business activities are structured that sets a positive and supportive attitude toward internal control and conscientious management Karagiorgos, Drogalas and Giovanis, (2011). Therefore, control environment plays a major part in managing an organization and in determining the management of the resources such as finances.

According to Stock (1999), the board is ultimately responsible for the system of internal control. Boards will normally delegate to the management the task of establishing, operating and monitoring the system, but they cannot delegate their responsibility for it. The Board should set appropriate policies on internal control and regularly assure itself that appropriate processes are functioning effectively to monitor the risks to which the company is exposed. It is essential that the right tone is set at the top of the company that is the board should send out a clear message that control responsibilities must be taken seriously.

Effective human resource policies and procedures enhance an organization's control environment. The control environment is greatly influenced by the extent to which Individuals recognize that they will be held accountable. An organization must take appropriate action to maintain an effective control environment. Gunderson (2008) asserts that Instituting and relying upon an effective internal control environment is a sign of proper governance and proactive management. Strong internal control environment is a non-

physical tool which assists non-profit organizations in fulfilling their fiduciary duties and ensures that the organization is accountable for its programs and finances to contributors and members.

Internal control is more than risk management procedures, one lesson to be learnt from the Enron scandal is that it is not sufficient merely to have risk management procedures in place if those procedures are ineffective, poorly governed or not complied with. There must be a culture of compliance with risk management procedures and a governance structure that prevent institutional internal control from being manipulated. This study is intended to establish the effect of control environment as a dimension of internal control on the financial management of the SDA church given a high level of delegated leadership style in the management of the church.

2.3.1 Technical Competence

Here we look at the ability and possession of skills plus expected standards of ethical and moral behavior. Millchaps (1996), indicates that if employees are competent and trust worthy with a few controls they are able to perform and even ensure the resources of an organization are safeguarded. The Sarbanes Oxley act of 2002 requires companies to report on operating effectiveness of their client's internal controls. It is the human resource competence which can enhance quality reporting and internal controls.

Warren (1999) asserts that exemplary leaders create a climate of candor throughout their organizations. They remove the organizational barriers and the fear that cause people to keep bad news from the boss. They understand that those closest to customers usually have the solutions but can do little unless a climate of candor allows problems to be discussed. Especially during times of change, exemplary leaders share information about what's going

on in the organization, the industry, and the world. This seem to be done in the Adventist church but it has been abused, so the big question is; "why the abuse and how can it be stopped without necessarily antagonizing the church operations?" This study aims at finding an answer to such questions.

2.3.2 Assignment of Authority, Responsibility and Financial Management

West and Zech (2005) asserts that, the church must ensure clear assignment of roles to people engaged in church management systems and they should have the values of the church at hand and follow them in the day today running of Church business. Amudo and Inanga (2009), in their study, "evaluation of internal control systems in Uganda", asserts that internal controls are enhanced by the structure in place and consequently ensure proper management of institutional finances. Therefore, the organization's ways of assigning authority and responsibilities renders a proactive approach to proper management of institutional finances.

The American Institute of Certified Public Accountants (1994), asserts that Management can show a positive attitude toward internal control by such actions as including internal control in performance evaluations, discussing internal controls at management and staff meetings, and by rewarding employees for good internal control practices. Management's attitude, actions and values set the tone of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. Therefore the organization's ways of assigning Authority and responsibilities renders a proactive approach to proper management of institutional finances.

Based on the findings of the study, it is concluded that Control environment is paramount in the management of SDA church finances as supported by the study findings. However, there

are obstacles in the implementation of controls which have clearly affected their efficiency as revealed in the study. It is the management environment created that will determine the ability for the successful implementation of internal controls in any organization be it a profit or Non-profit organization.

2.4. CONTROL ACTIVITIES AND FINANCIAL MANAGEMENT

Control activities are established in response to perceived risks. According to community association institute (2011), an organization should ensure that it is staffed with professionals, segregated by specific job descriptions, policies and procedures that are in place to provide the maximum relative controls for it to have positive financial results. Decapolis (2010), asserts that without adequate internal controls, management has little assurance that its goals and objectives will be achieved. Properly designed and functioning controls reduce the likelihood of significant errors or fraud occurring and remaining undetected. Internal controls also help ensure that departments (in addition to finance office) are performing as expected.

According to Guide for managing university business practices, Control activities are actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks, “http.www.cafm.vt.edu/dbmg/internal-control.php”. Controls can be either preventive or detective. The intent of these controls is different, Preventive controls attempt to deter or prevent undesirable events from occurring. They are proactive controls that help to prevent a loss. Detective controls, on the other hand, attempt to detect undesirable acts. They provide evidence that a loss has occurred but do not prevent a loss from occurring. From a quality standpoint, preventive controls are essential because they are proactive and emphasize quality. However, detective controls play a critical role providing evidence that the preventive controls are functioning and preventing losses.

Though the finding are as stated above, consideration has not been made for religious institutions which base their management basically on trust and faithfulness of members who in turn happen to be employed by the church institution.

2.4.1 Written Policies

Organizations are good at establishing policies but have an uneven ability to get their staff to follow them. It is important that an organization will be able to enforce policies. Mochal (2006) asserts that if the policies are important enough to create and approve, they are important enough to enforce. There will be some follow-up necessary to determine why the policies are not being followed, and then an action plan will need to be put into place to ensure the organization does follow defined policies. The big question which is not yet addressed is the application of the same in an environment of volunteer service and it is this that this research is trying to establish.

2.4.2 Segregation of duties

Is the separation of incompatible duties that could allow one person to commit and conceal fraud that may result in financial loss or misstatement to the company's financial statement. Segregation of duties has always been an important component of a properly functioning internal control environment. It serves to prevent unintentional errors or fraud and ensure timely detection of errors that may occur. Due to Regulatory Compliance to Sarbanes-Oxley and other regulatory issues, companies are forced to increase their awareness and accountability of their employee's actions (Deloitte, 2006).This helps in clearing would be weaknesses in the internal control systems.

The research carried out by Peat Marwick international and Klynveld main goerdeler (KPMG) in 2008, revealed that controls arising from effective and clear company policies

and practices contribute close to 55% in preventing would be fraud which would lead to loss of institutional finances. Also to be noted, is Ishungisa,(2001), in his study "Antecedents of internal controls in National Social Security Fund (NSSF)" observed that policies and procedures are fundamental concepts of internal control. Bell (2009) suggested that in order to deter mismanagement, appropriate policies and training should be developed and published. Button & Brook (2009), stressed the need for anti-fraud culture strategy in order to address the enormous loss as a result of fraud.

On Control activities, the study concluded that the written policies and segregation of duties were appropriate for proper financial management. As highlighted by the findings application of control activities yield positive results in the management of church finances.

2.5 MONITORING AND FINANCIAL MANAGEMENT

The objective of the Turnbull report, published by the ICAEW (1999), was to provide guidance on how the Board should maintain a sound system of internal control, to safeguard shareholders' investment and the company's assets.

2.5.1 Management supervision and Financial management

Supervision is the process of evaluating and assessing the systems of internal control to ensure that the procedures are consistently applied over an extended period of time. The Board receives a regular management report to assist in the monitoring of organization's activities. On an on-going basis, staff evaluates the various systems of internal control and updates where needed. Any discovered deficiencies are addressed immediately and added to the overall systems of internal control. Monitoring is also provided through the annual financial statement audit process, **www.caionline.org.**

Bennis (2004) asserts that qualities of a good Leader include**,** technical competence, conceptual skill, track record, people skills, taste, judgment and character. The author further claims that senior executives seldom lack the first three attributes; rarely do they fail because of technical or conceptual incompetence, nor do they reach high levels of responsibility without having a strong track record. All these skills are important, but in tomorrow's world, exemplary leaders will be distinguished by their mastery of the softer side, people skills, taste, judgment, and, above all, character all of which can be got through supervision of staff. Bennis (2004), reports that research at Harvard University indicates that 85 percent of a leader's performance depends on personal character. Likewise, the work of Daniel Goleman makes it clear , that leadership success or failure is usually due to "qualities of the heart".

Being employed by the church is taken to be a service to the world SDA church, SDA church working policy (2007) and the way most of the leaders at local church are selected based on one's spirituality not professionalism seem to have gaps. Supervision becomes a hard practice to execute since people are just volunteers who can only determine what they wish to input and reprimanding them is not easy. Our research looks at gaps created by majorly engaging volunteers.

2.5.2 Response mechanism and financial management

Monitoring come up with a response mechanism as a basic management duty included in routine financial and program activities like ongoing supervision, reconciliations, comparisons, performance evaluations, and status reports. Internal control systems should generally be designed to ensure that ongoing monitoring occurs in the course of normal operations, Kaplan (2008). Proper monitoring ensures that controls continue to be adequate and function properly. Any failure should be addressed immediately.

There are several interpretations of the term monitoring but typically it is the activity carried out by the supervisor to oversee the productivity and progress of employees who report directly to the supervisor McNamara, (2010). It establishes the tone at the top and promotes an ethical business environment by providing structure, feedback and discipline. Millichap (1999) argues that monitoring establishes and maintains controls activities such as reconciliations, approvals and review of operating activities.

Controls need to be monitored for effectiveness and to ensure they have not become obsolete. International Federation of Accountants (IFAC) (2012) Separate evaluations of control activities can also be useful by focusing directly on the controls' effectiveness at a specific time. The scope and frequency of separate evaluations should depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Separate evaluations may take the form of self-assessments or the direct testing of internal controls IFAC (2012). Deficiencies found during ongoing monitoring or through separate evaluations or testing should be communicated to those responsible for the function and to at least one higher level of management.

Good governance should ensure that there are systems of internal control, governance arrangements and risk management processes in place and that these are applied consistently, and managers demonstrate their own knowledge of and adherence to those processes. Stock (1999) Finally, it can be concluded that control monitoring was vital for the management of financial resources mainly through indicators of management supervision and the response mechanism given the statistically significant positive relationship between the two variables.

2.6 FINANCIAL MANAGEMENT

Financial Management is concerned with decision-making, Goizueta (2008). Such decisions are concerned with the size, composition of assets, the level and structure of financing. In

order to make right decision, it is necessary to have a clear understanding of the organization's objectives. It is the objectives that provide a framework for right kind of financial decision making. The objectives are concerned with designing a method of operating the Internal Investment and financing of a firm which is resource management.

2.6.1. Accountability and Internal Control

Accountability as defined for financial management control purposes refers to delegation of authority to qualified persons to initiate, approve, process and review business transactions. The delegated authority is responsible for ensuring that: a transaction is within the delegation, consistent with policy, allowed, accurate and reasonable Santa B (2000). Holt & Dezoort (2006) refers to the findings of Gordon & Smith (1992) that a financial management function such as financial reporting can lead to better firm performance, provided that the financial reports are clear to all stake holders who intend to use them. Therefore role of accountability in good financial management cannot go without mention.

2.6.2 Budgeting

Good budgeting means not running into deficit but equally, it means not carrying large balances of unspent money from year to year without good reason, Audit commission (2000). Okello and Bukenya (2008) concluded that the most visible tool you have and a great way to highlight your financial skills while demonstrating your contribution to bottom line is to use the budget.

Obura and Kigongo (2008) states that, a budget is a tool which forces management to be accountable in a structured and objective manner. It facilitates planning and resource allocation plus providing a mechanism for monitoring financial performance through the

year, Seer (2000) as cited in Okello- Obura and Kigongo- Bukenya, (2008). It provides an organization with a clear view of how it intends to use its resources.

According to Ndifuna, (2008) citizen involvement helps to have a combined effort in monitoring and implementation of the budget and compliance with taxes. Matovu (2008) asserts that, citizen involvement in drawing and implementation of the budget makes them own the projects which results into increase in voluntary support, provision of labor, raw materials and willingness to pay charge fees and taxes. This fact of involvement starts with departmental heads, the study tried to establish the effect of involving other leaders in the budgeting process and its effect in SDA church setting.

2.7 Summary of Literature Review

Whereas the literature reviewed agrees that modern management looks at internal control as a solution to most of the risks leading to poor management and utilization of financial resources in organizations run by other people (managers) other than the owners**.** Majority of the studies involving internal controls are focused on investigating the characteristics of firms that disclose material weaknesses in internal control and those found with material weaknesses being less profitable than firms with strong internal control systems. Also reviewed literature explains the effect of internal controls in institutions mostly in other parts of the world but this research intends to establish the effect of internal controls in the Seventh - day Adventist church in Buganda region of Uganda (Central Uganda conference), where the emphasis in the past has been on the spirituality of those in management positions other than emphasizing professionalism and internal controls.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter describes and explains the methods that were used in the collection, managing and analyzing of data. It consists of the research design, study population, sample size and selection, sampling techniques and procedures. It also describes the data collection methods and instruments, how the validity and reliability of the research instruments were tested and how variables were measured.

3.2 Research Design

The research design for this study was a cross-sectional survey. According to Mugenda and Mugenda (1999), a cross-sectional research design involves subjects being assessed at a single time. It is fast and can study a large number of subjects at little cost or effort. The changes in the financial management style in the service industry calls for such a study if we are to compare with what is happening elsewhere.

The study triangulated both qualitative and quantitative methods of data collection and analysis. Qualitative data analysis was used to test opinions and attitudes towards financial management. Also used were quantitative methods since the study involved extensive use of descriptive statistics presented in form of mainly the mean, percentages, frequencies and standard deviation scores. Mukiibi (2004) emphasizes that although a particular research study may be predominant of one research design, a mixture of the two methods (triangulation) is preferred and this research takes that line.

3.3 Study Population

The study population targeted church leaders that included officers and departmental heads combined; these in total were 5975 respondents and staff involved in the assessment of the controls in the field (Internal Auditors and staff at church level)

3.3.1. Accessible Population

Given the limited resources in terms of time and the vastness of the Central Uganda Conference a representative selection of five churches was made. Leaders from those Churches composed the accessible population from which the sample was got. Kampala zone which is the resource engine of the Conference was represented by pace setter congregations and one Church randomly selected from other zones Masaka and Mityana. There by having a net total of one hundred twenty five (125) people. Fifteen(15) church officers, one hundred and five (105) departmental heads, three (3) internal audit staff and two (2) local church staff.

3.4 Sample Size and Selection

A sample size is a subset or a sub-group of the population (Sekaran, 2003). A total of 105 respondents were selected from 125 respondents. The number of respondents selected from the CUC was determined using Krejcie and Morgan tables (1970). Two staff at church level, three audit staffs and fourteen church officers were selected from each of the sampled respondents by census method, while eighty six were selected using simple random sampling. The study therefore selected a total of 105 both males and females from the sampled respondents.

This study drew conclusions from the sample which was generalized for the whole population. The original proposed sample size for the study was 105 sampled respondents.

The original sample size was realized due to presence of logistics and the willingness of respondents to participate in the research process.

The sample size of respondents used for the survey was determined using Krejcie and Morgan table. Amin,(2005) Table 3 gives a summary of sample selection and methods used

Table 3.1: Accessible Population and Sample size

Target Population	**Accessible Population**	**Sample Size**	**Sample Method**
Church Officers	15	14	Census
Audit Staff	3	3	Census
Staff at Church Level	2	2	Census
Departmental Heads	105	86	Simple Random sampling
Total	**125**	**105**	

Source: Primary data (Local Church membership registers Year (2010))

3.5 Sampling Techniques and Procedures

The researcher sampled officers of the church, departmental heads, CUC auditors and administrators at local Church. A sample size is a subset or a sub group of the population (Sekaran, 2003). The researcher targeted a sample size of 105 from a population of 125. The sample size was based on the table of random sampling (*See appendix III*) as determined using Krejcie and Morgan tables (1970). The sample size is indicated in the table above (*See Table 3.1*). Key informants were purposively selected basing on their capacity to provide information as required by the study. Key informants included the church officers, staff at church level and audit staff, non random or purposive sampling technique was the best to apply.

3.6. Data Collection Methods

The researcher used only two methods. Data was collected using questionnaire survey, interview schedules.

3.6.1 Questionnaire Method

Questionnaires are instruments which have a list of questions in a prescribed sequence that are administered to the respondents (Mugenda and Mugenda, 1999). The questionnaires comprised of mainly closed with a few open-ended questions and they were largely self-administered. However, the researcher was available to assist the respondents as required and in some instances conduct individual and group interviews.

3.6.2 Interview Method

For clarification of core issues, the researcher used face to face interviews. This was person to person verbal communication in which the researcher asked the respondents questions intended to elicit information or opinions. It permitted in depth expressions and the assessment of personality characteristics of respondents that could not otherwise be accessed through written questionnaire. This method was adopted to allow them to freely express their opinion and for the researcher to carry out a personal face to face evaluation of the given responses.

3.7 Data Collection Instruments

3.7.1. Questionnaires

Written set of questions to which respondents record their answers were administered. This method was appropriate for the research because the respondents were able to write answers down for future references. Both open and closed ended questions were applied for the respondents to be able to express their feelings. The questionnaire was considered for key

informants in drawing, implementing and monitoring of internal controls and management of local Church finances.

3.7.2. Interviewing Schedule

For clarification of core issues, the researcher used face to face interviews. Oral interviews were administered in order to get direct information from key informers such as the Church Treasurers, Pastors, church Secretary plus and Departmental Leaders. Interviews gave the researcher an insight of the feelings, expectations and aspiration of the local church finance resource managers about internal controls and their effect on the financial management in the SDA churches. This method was adopted because the concerned respondents are literate, and also because they are rightly assumed not to have enough time for the questionnaire.

3.8 Reliability and Validity of instruments

3.8.1 Validity

The validity of the instruments was determined by incorporating the expert's opinions on the questions designed for each of the study variables the experts judgment were subjected to a scientific test by use of Content Validity (CV) index on a five likert scale of Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1). The emerging results are shown in the formulae below;

$$\text{Content Validity Index (CVI)} = \left(\frac{\text{No. of items declared valid}}{\text{Total no. of items}}\right)$$

CVI = 31/42 = **0.738**** (approximately 74%)

Content Validity Index (CVI) output of 0.73%, shows that the contents of the instrument that were used to carry out the study were valid as the result was above 0.7, as Amin (2005) argues that this is a generally acceptable average index.

3.8.2 Reliability

Reliability refers to the ability of an instrument to produce the same results whenever it is repeatedly used to measure a variable from the same respondents even by other researchers. Mugenda & Mugenda, (2003) defines reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. The reliability of the data collection instruments was established using Cronbach's coefficient Alpha test. The researcher tested the inter-item consistency reliability to ensure that there was consistency of respondents' answers to all items in the assessment and the reliability coefficients. The emerging results are presented in the Table below.

Table 3.2: Reliability Results

Variable	**Alpha**	**No of Items**
Control Environment	.681	7
Control Activities	.505	5
Monitoring	.536	3
Financial Management	.450	16
Total	**2.172**	**31**

Source: Primary Data

The researcher later entered the data into the SPSS computer package and the data was subjected to the cronbach's alpha calculation giving an average reliability coefficient output formulae as ∑a / 4 where ∑ means summation divided by the number of variables 2.172/4 = 0.543*** representing 54.3% out of 31 items or questions. Mugenda and

Mugenda (1999), advises that the number of respondents used in pre-testing should be smaller at least 10% of the sample size. Correlating the score from both testing periods, if the correlation obtained is above 0.5 the instrument will be reliable. Basing on the results the instrument was reliable.

3.9 Procedure of Data Collection

The researcher obtained a letter from Uganda Management Institute (UMI) and upon receiving it, the researcher approached Central Uganda Conference Head office to seek for permission and two research assistants were identified to aid in the collection of data. The questionnaires with a letter explaining the purpose, importance and significance of the study were then distributed among the respondents who filled and returned. Confidentiality of participant's responses was guaranteed in order to get sincere response. The sampled pastors, treasurers and departmental leaders filled and returned the research tools, this was done and completed in two weeks.

3.10 Data Management and Analysis

3.10.1 Quantitative Data

Amin (2005) emphasizes that before analyzing collected data, it has to be edited in order to be error free. In quantitative analysis, descriptive statistics was used where frequencies, mean, percentages and standard deviation were calculated relating to internal control and Church financial management using statistical package for the social sciences (SPSS). Whereas inferential statistics comprising of correlation and regression techniques were used to establish the relationships and extent to which the independent variables explained the dependent variable. That is to say, the linear regression analysis was used to find out how the

dependent variable depends on the independent variables. Conclusions were made to determine the effect of the internal controls on the financial management in the SDA Church.

3.10.2 Qualitative Data

Qualitative data was analyzed using words or phrases to describe the patterns in the data collected relating to internal controls and the financial management of Seventh - day Adventist Church and came up with an in-depth explanation and interpretation. It was summarised in categorises according to main themes based on the variables. Qualitative data analyses were used in making narrative themes of data related. It was helpful giving further explanation, responses under the quantitative questionnaire and draw up conclusion for the study.

3.11 Measurement of Variables

A five-point Likert Scale was used to assess the effect of internal controls on financial management in SDA Church in Central Uganda Conference. The scale ranged from strongly agree being 5 (five) points to strongly disagree taken at 1(one) point, to help the researcher measurer the extent to which the research objectives are achieved. Here, the ordinal scale was used while nominal scales were used to capture personal data of respondents.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1 Introduction

This chapter presents and discusses the analysis and interpretation of the findings. The findings under the main objectives were discussed. These included; background information of respondents and the empirical Findings assessment of the study objectives.

4.2. Response Rate

The researcher issued out a total number of one hundred five (105) questionnaires to the respondents, the entire number was returned and fully completed. Thus the findings can be generalized to the entire population. See table **4.1** below

Table 4.1: Response Rate Summary

Category of respondents	Questionnaires Issued	Questionnaires Returned	Response Rate
Church Officers	14	14	100%
Audit Staff	3	3	100%
Staff-church level	2	2	100%
Departmental staff	86	86	100%
Total	**105**	**105**	

Source: Primary Data

The study targeted 105 respondents in five churches in Central Uganda Conference; 14 church officers, 3 audit staff, 2 staff at church level and 86 departmental heads. A total number of 105 questionnaires were returned and fully completed constituting an overall response rate of 100% (105/105*100). According to (Mugenda and Mugenda, 2003) a response rate above 70% is very good. The study decided to use respondents who are well

positioned in the management of the church resources to ensure relevance of the findings. As the intention was basically on what happens after resources have been got.

4.3 Demographic Information

The quantified demographics of respondents included; Name of Church, Gender, Age, participating in management of the Church and qualifications obtained. This information was presumed crucial to the study because these characteristics demonstrated whether a respondent qualified or not for the study. Administered questionnaires were distributed amongst the departmental staff and it was supplemented with an interview guide which, was purposively applied to church officers, audit staff and staff at local church level.

4.3.1 Name of the Church

Respondents as indicated in table 3.1 (chapter three) were requested to kindly indicate the name of church that they belonged to and the emerging results are shown in table 4.2 below.

Table 4.2: Name of Church

	Name of Church	**Frequency**	**Percent**
Valid	SDA Church Najjanankumbi	23	21.9
	SDA Church Makerere	28	26.7
	SDA Church Luzira	21	20.0
	SDA Church Mityana	16	15.2
	SDA Church Nyendo	17	16.2
	Total	**105**	**100.0**

Source: Primary Data

Table 4.2 above shows the church by name, frequency and percentages. Findings reveal that most respondents 26.7% (n=28) were from SDA Makerere, followed by 21.9% (n=23) from SDA Najjanankumbi, 20% (n=) were from Luzira, 16.2% (n=17) from SDA Nyendo and the least 15.2% (n=16) were from Mityana. Here we realize that the numbers differ because of different church membership, which affect the number of leaders and departments run in a

church. This contradicts the general conference assumption that all departments are functional in the local church. Meaning that segregation of duties is high in big congregation which enhances internal control thus improved financial management. In our interview one departmental director from Nyendo church was quoted to have 3 departments which makes segregation of duties hard.

4.3.2 Gender of the Respondents

Respondents were requested to indicate their gender status and findings are shown in figure 3 below.

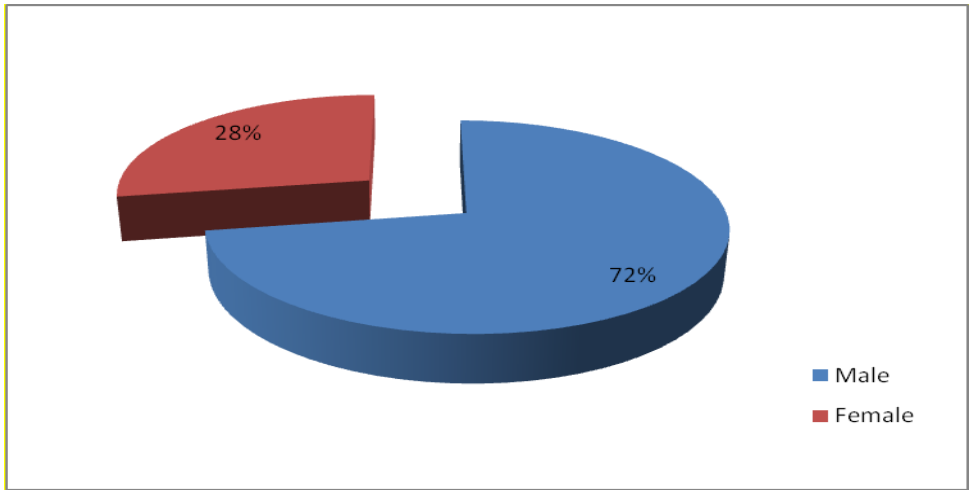


Figure 3: Gender of Respondents

Results from the figure 3 above reveal that a big number of respondents 72% (n=76) were male while 28% (n=29) were female, which means that majority of church leaders are men which implies that, the trend in the church is almost as it is in most industries with men in leadership positions and therefore the results of such management are likely to be the same in the church. The forgoing research findings explain why the researcher had interest in knowing the results of such leadership on church financial resources given that many women have taken up leadership roles in leading organizations outside church circles.

4.3.3 Age of Respondents

Respondents were asked to indicate their age and below is a table showing results that emerged**.**

Table 4.3: Age of Respondents

Age	Frequency	Percent
18-25 year	10	9.5
26-33 years	29	27.6
34-41 years	25	23.8
42-49 years	24	22.9
> 50 years	17	16.2
Total	**105**	**100.0**

Source: Primary Data

Table 4.3 shows age range of respondents, frequency and percentage. Findings reveal that a portion of respondents thirty nine percent (n=41) fell above forty two years, this was followed by thirty seven percent (n=39) that fell below thirty three years, while twenty four percent were between 34 to 41 years of age, meaning that the church tends to let the mature adults into leadership of its affairs and we find an almost similar number from the adult youth which may be a good sign of nurturing leaders who would take over from matures. The implication is that, those entrusted with leadership are people whose integrity has been checked by the church which explains the strong internal control system and its maintenance.

4.3.4 Participating in Management of the Church

Respondents were requested to state how long they had been participating in management of the church affairs

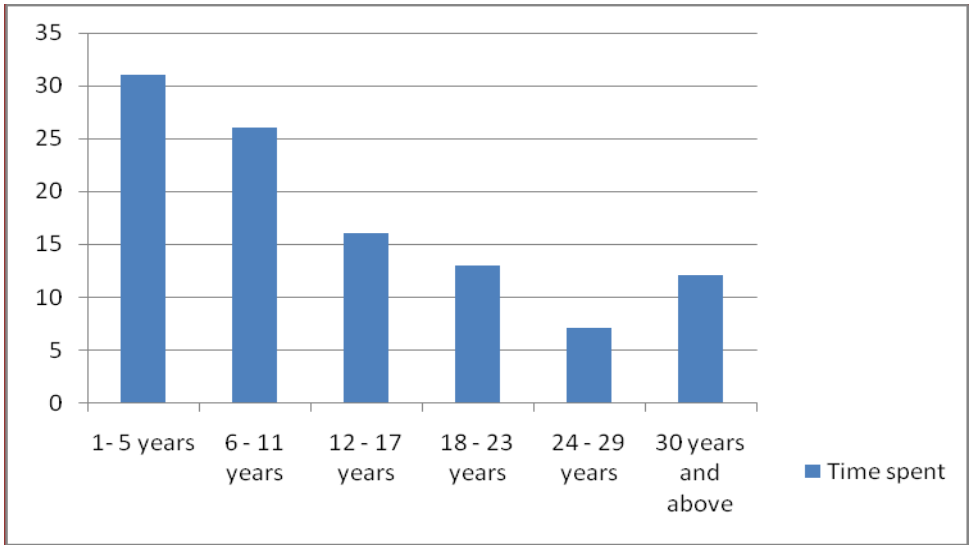


Figure 4: Period taken participating in management of Church affairs

Findings from the figure above show that a big number of respondents 54% (n=57) had been participating in management of Church affairs for eleven years and below. This was followed by 28% (n=32) who had spent between 12-23 years and 18% (n=29) had spent more than thirty years, meaning that the church changes its leaders often and the implication is a checked system of internal control which in the end improves the management of church financial resources.

4.3.5 Level of Education attained

Respondents were requested to indicate their level of education. Below is a table showing results that emerged**.**

Table 4.4: Level of Education

Level	Frequency	Percent
Primary	1	1.0
Secondary	16	15.2
certificate-Diploma	45	42.9
Degree	43	41.0
Total	**105**	**100.0**

Source: Primary Data

=Table 4.4 shows that a significant number of respondents 84% (n=88) had obtained a certificate, diploma or bachelor's degree. Further still, 16% (n=17) had obtained secondary level and below which means that all respondents that got involved in the study were literate and therefore were able to understand the role of control environment, control activities and monitoring as well as understanding financial management in terms of cash flow management, budgetary management and accountability. This implies that those in control of church resources are knowledgeable. The implication on management of financial resources is the strong internal control system thus safeguarding church resources.

4.4 Control Environment and Management of Financial Resources

Table 4.5: Descriptive statements on Control environment and Financial management

Statements on Control environment	**Percentage response (%)**					**Mean**	**Std Dev**
	SA	**A**	**N**	**D**	**SD**		
There are internal controls put in place in the Church.	28.6	53.3	12.4	2.9	2.9	**4.01**	**.887**
The internal controls are effective to detect risk.	15.0	51.0	26	6.0	2.0	**3.72**	**.860**
There have been cases of fraud and loss of financial resources in the Church.	15	33.0	35.0	14	3.0	**3.4**	**1.00**
The treasurers and deacons handling finances are doing it with due care and integrity.	24.0	60.0	13.3	3.0	0.0	**4.04**	**.698**
In your church responsibilities are clearly defined and communicated to church board members.	22.0	55.0	12.0	10.0	1.0	**3.87**	**.895**

Source: Primary Data

SA=Strongly Agree **A**=Agree **NS**=Not Sure **D**=Disagree **SD**=Strongly Disagreed

Table 4.5 above shows statements about Control Environment, followed by percentages, mean and standard deviation. The following statements clearly reflect percentages from a series of questions as designed by the researcher and administered for answers by the respondents.

Mean values above three, (>3.00) signified agreement while values below three (<3.00) showed disagreement in responses as were provided by respondents and for standard deviation, values above one (<1.00) signified communalities or agreement while values below one (>1.00) showed differences in responses as were provided by respondents. Eighty two percent respondents (n=86) indicated positively that there are internal controls put in place in the Church, followed by twelve percent (n=13) that were undecided and six percent that disagreed meaning that majority of the church leaders know that internal controls exist and employed in carrying out church business and its implication on financial management is that an improved handling of church financial resources given the fear to be netted and self discipline is enhanced. The foregoing is in line with what transpired during an interview held between the researcher and an Internal Auditor where He said *"There are even strong measures to deal with fraudulent personnel even though they are volunteers."*

Responses about item two that is the internal controls are effective to detect risk as shown above show that a good number of respondents; 67% (n=70) agreed to the statement, while 26% (n=27) neither agreed nor disagreed to the statement and only 7% (n=8) disagreed; the percentages meant that those interviewed are convinced that the controls are strong and can detect all risks thus minimizing loss of church financial resources. The implication is that financial management is good within church circles. Despite the responses, the information extracted during interview sessions with an auditor revealed contradictions, He said *"Internal control systems in the church have good structures right from local church upwards however, if there is evidence of a person (treasurer) to have embezzled funds concrete measures to recover it are weak".*

Findings reveal that a portion of respondents 48% (n=50) were in agreement to the statement that there have been cases of fraud and loss of financial resources in the Church. However a slightly moderate number of respondents 35% (n=37) were not sure and 17% (n=18) disagreed respectively. Meaning that, cases of loss of church finances cannot totally be ruled out. With this fact being true, the internal controls cannot be negated on grounds of spirituality alone. The implication on financial management is that without internal controls the finances of the church are not secure. In an interview held with a respondent it was stated that "*Many churches go unaudited for years which impacts on the strength of the internal controls."*

Views collected about the statement that the church leaders show commitment to competence by ensuring that personnel receive adequate training to perform their duties had the following responses; sixty one 61% (n=64) agreed to the statement; 22% (n=23) were not aware and 17% disagreed. That is leaders are trained and equipped for the task ahead of them as they take on the leadership roles. The implication of this is that people entrusted with the readership and decision making will have the required skills for good financial management for the soundness of the church. This was supported by an interview statement by a pastor who argued that "*Yes, there even exists a development program for church staff".*

The question posed whether treasurers and deacons handling finances are doing it with due care and integrity? Majority of the respondents 84% (n=88) agreed; 13% (n=14) were neutral and only 3% (n=3) disagreed meaning that given the training and spiritual conviction the treasury staff behave as expected with due care and integrity. The implication is that the finances of the church are safe in the hands of those who are entrusted with it. This finding can be supplemented by the qualitative data captured during an interview where a respondent

highlighted that *"the principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in professional and business relationships".*

4.4.1 Correlation results for Control Environment and Financial Management

The researcher used a correlation analysis technique to determine whether a relationship existed between control environment and financial management of SDA Church. Below are results that emerged.

Table 4.6: Correlation Results for Control Environment and Financial Management

		Control Environment	Financial Management
Control Environment	Pearson Correlation	1	.396**
	Sig. (2-tailed)		.000
	N	**105**	**105**
Financial Management	Pearson Correlation	.396**	1
	Sig. (2-tailed)	.000	
	N	**105**	**105**

**. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Data

Table 4.6 above, shows correlations results for control environment and financial management. Where R or Pearson correlation = .396**, the significance (sig) at 95% confidence level =.000 while N =105. The results reveal a positive and statistically significant relationship between control environment and financial management. The result meant that as staff exhibit technical competence and assignments of authority as well as responsibilities are well understood and defined, there was likelihood that good financial management would be exercised and realized or otherwise failure to honor this would lead to poor financial management.

4.4.2 Regression results for Control environment and financial management

A regression analysis specifically the model summary was used to establish the effect or variation control environment had on financial management and the results that emerged are presented in the Table below.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.396[a]	.157	.148	.44236

a. Predictors: (Constant), Control environment

Source: Primary Data

The model summary table above comprises of values; R, R squared, Adjusted R square and Standard error of the estimate; where R=.396, R^2=.157, Adjusted R^2=.148 as and Standard error=.44236 using the predictor; control environment. The adjusted R^2 value of (.148) explains up to 14.8% (.148*100%) variation control environment has on financial management the remaining percentage of 84.2% can be explained by other factors.

Table 4.8. ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.741	1	3.741	19.116	.000[a]
	Residual	20.155	103	.196		
	Total	23.896	104			

a. Predictors: (Constant), Control Environment

b. Dependent Variable: Financial Management

The ANOVA table above comprises of sum of squares, degree of freedom (df), mean square, F and Sig., the degree of freedom (df) - (**1, 103**), F= (**19.116**) and sig=($p < 0.05$,**.000**). The p-value (0.000) reveals a statistically significant positive relationship between control environment and Management of financial resources.

Table 4.9: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.641	.351		4.679	.000
	Control Environment	.406	.093	.396	4.372	.000

a. Dependent variable: Management of financial resources

The table above comprises of the model, unstandardized β, standardized coefficients, *t* value and the Sig**.,** the unstandardized β coefficients values reveal that control activities significantly contributes to the equation for predicting management of financial resources, thus*(y=a +bx)* where *y is the dependent variable, a is the constant value and b is other value.* This relationship was found to be reliable and could be used to make predictions hence (Management of financial resources=1.641 + 0.406control environment)

Hypothesis Testing: Objective One

H0 (null) was that "control environment has no significant effect in the financial management" but after testing the two variables, the tests revealed that there was a positive significant effect, the Null was therefore rejected and the Alternate (H1) that "control environment has significant effect on the financial management" was accepted.

4.5. Control Activities and Financial Management of resources

Table 4.10 below shows statements about Control Activities, followed by percentages, mean and standard deviation. The following statements clearly reflect percentages from a series of questions as designed by the researcher and administered for answers by the respondents.

Table 4.10: Descriptive Statements on Control Activities and Financial Management

Statements on Control Activities	**Percentage Response (%)**					**Mean**	**Std Dev**
	SA	**A**	**N**	**D**	**SD**		
Control activities exists, are effective and known by all those handling finances.	18.0	50.0	20.0	10.0	3.0	**3.70**	**.969**
In your church there are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained.	14.0	62.0	13.0	9.0	2.0	**3.78**	**.865**
In your church, approval, reconciliation and asset custody are separated	1.0	37.0	42.0	17.0	3.0	**3.16**	**.821**
The church individuals authorize employees to perform certain activities and execute certain transaction	5.0	42.0	39.0	12.0	2.0	**3.35**	**.831**
Procedures are documented, kept current and readily available for daily use by all church members.	12.0	35.0	27.0	24.0	2.0	**3.32**	**1.03**

Source: Primary Data

SA=Strongly Agree A=Agree NS=Not Sure D=Disagree SD=Strongly Disagreed

Mean values above three, (>3.00) signified agreement while values below three (<3.00) showed disagreement in responses as were provided by respondents and for standard deviation; values above one (<1.00) signified communalities or agreement while values below one (>1.00) showed differences in responses as were provided by respondents.

The majority of the respondents 68% (n=71) agreed to the statement that control activities exist and are effective and known by all those handling finances, 20% (n=21) were neutral; 13% (n=13) disagreed. Meaning that corporate governance is applied in the SDA church, it is likely that the church leaders who participated in answering of research questions have found internal control activities in place and have practiced them. This was substantiated in an interview with one of the church officials who revealed that, *"control activities in place are adhered to though failures are evident at times."*

Views were collected about the statement that in their church there are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained; answers collected include; 76% (n=80) agreed to the statement; 13% (n=14) neither agreed nor disagreed; 11% (n=11) this meant that internal controls are not only talked about, but fully implemented within the SDA church management systems, This is evidenced by implementation of basic controls to ensure that no one initiates a transaction and handles it to its conclusion. This was confirmed in an interview with a clergy that, *"The challenges they find with the system is to have loopholes at certain points; it is not so easy to change and modify church policies both written and not written"*.

Forty two percent (n=44) were neutral about the statement in their church approval, reconciliation and asset custody are separated, followed by thirty eight percent (n=40) were agreed and eleven percent (n=21) disagreed meaning, there areas of improvement required if the internal control systems are to fully guarantee security of church financial resource as majority of the respondents were not satisfied with what is seen in the areas of custody, reconciliation and approval. The implication of the above finding is that the church still needs to strengthen the existing internal controls. It was conversely said that, "*as far as challenges*

are concerned, the voluntary nature of many of those responsible for cash and assets at local church, the weak measures to handle whoever has practiced fraud on cash and assets of the church need to be addressed".

Majority of the respondents 47% (n=49) agreed to statement that the church individuals authorize employees to perform certain activities and execute certain transaction; 39% (n=41) neither agreed nor disagreed and only 14% (n=15) disagreed. Meaning that there is delegation of duties and authority to those in leadership at every church administrative level and this is one of the basic requirements for controls to be successful in any organization. The implication of this is that there is likely to be strong control systems in the SDA church in Central Uganda conference which ensure security of its financial resources. The small number of those doubting, is an indicator of room for improvement. In an interview, it was revealed by a church treasurer that, *"policies and procedures seem to be rigid and there is no flexibility in their implementation".*

A big portion of respondents 47% (n=50) indicated positively that procedures are documented, kept current and readily available for daily use by all church members, 27.0% (n=28) were neutral and 26% (n=27) disagreed. The views given mean that the reference is always there for church leadership to follow for proper management and even training those to handle church resources. The implication is that, all those entrusted with management of church resource should be aware of what is expected of them in terms of handling and reporting church financial resources. As a matter of fact, this is in line with what transpired during an interview held with one of the church board official who said "*Yes documentation exists, but at times it may be tampered with, as you may understand money issues. Money is very evil and complex and therefore a complex subject that one only needs discipline"*

4.5.1 Correlation results for Control activities and Financial management

The researcher used a correlation analysis technique to determine whether a relationship existed between control activities and financial management of SDA Church and below are results shown in the Table.

Table 4.11: Correlation Results for Control Activities and Financial Management

		Control Activities	Financial Management
Control Activities	Pearson Correlation	1	.304**
	Sig. (2-tailed)		.002
	N	**105**	**105**
Financial Management	Pearson Correlation	.304**	1
	Sig. (2-tailed)	.002	
	N	**105**	**105**

**. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Data

Table 4.11 above, shows correlations results for control activities and financial management. Where R or Pearson correlation = .304**, the significance (sig) at 95% confidence level =.002 while N =105. The results revealed a statistically significant positive relationship between control activities and financial management meaning that when staff are strict and follow the defined written policies and segregation of duties, it's likely to affect financial management positively.

4.5.2 Regression Results for Control Activities and Financial Management

A regression analysis specifically the model summary was used to establish the effect or variation control activities had on financial management and the results that emerged are presented in the Table below.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.304[a]	.093	.084	.45884

a. Predictors: (Constant), Control activities

The model summary table above comprises of values; R, R squared, Adjusted R square and Standard error of the estimate; where R=.304, R^2=.093, Adjusted R^2=.084 as and Standard error=.45884 using the predictor; control activities. The adjusted R^2 value of (.084) explains up to 8.4% (.084*100%) variation control activities has on financial management and the remaining percentage of 91.6% can be explained by other factors.

Table 4.13: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.211	1	2.211	10.504	.002[a]
	Residual	21.685	103	.211		
	Total	23.896	104			

a. Predictors: (Constant), Control activities

b. Dependent Variable: Management of financial resources

The ANOVA table above comprises of sum of squares, degree of freedom (df), mean square, F and Sig., degree of freedom (df) - (**1, 103**), F (**10.504**) and sig *(*$p < 0.05$,**.002**). The p-value (0.002) reveals clearly that control activities and Financial Management were significantly related.

Table 4.14: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.262	.281		8.039	.000
	Control Activities	.260	.080	.304	3.241	.002

a. Dependent variable: Management of financial resources

The table above comprises of the model, unstandardized β, standardized coefficients, *t* value and the Sig**.** The unstandardized β coefficients values reveal that control activities significantly contributes to the equation for predicting management of financial resources, thus*(y=a +bx)* where *y is the dependent variable, a is the constant value and b is other value.* This relationship was found to be reliable and could be used to make predictions hence (Management of financial resources=2.262 + 0.260control activities)

Hypothesis Testing: Objective Two

H0 (null) was that "there is no significant relationship between control activities and financial management" but after testing the two variables, the tests revealed that there was a significant effect, the Null was therefore rejected and the Alternate (H1) that "there is a significant positive relationship between control activities and financial management, was accepted."

4.6 : Monitoring and Financial Management of resources

Table 4.15: Descriptive **S**tatement**s** on Monitoring and Financial Management

Statements on Monitoring	**Percentage Response (%)**					**Mean**	**Std Dev**
	SA	**A**	**N**	**D**	**SD**		
Church Board is actively involved in monitoring the departmental operations to ensure compliance with policies and objectives of the SDA Church	18.0	51.0	13.0	14.0	3.0	**3.67**	**1.02**
In your Church corrective actions are always taken in case of deviations from the planned activities	13.0	42.0	26.0	16.0	3.0	**3.46**	**1.01**
Church Board is committed to assessing risk and implementing appropriate control measures	11.0	64.0	17.0	8.0	1.0	**3.75**	**0.78**

Source: Primary Data

SA=Strongly Agree A=Agree NS=Not Sure D=Disagree SD=Strongly Disagreed

Mean values above three, (>3.00) signified agreement while values below three (<3.00) showed disagreement in responses as were provided by respondents and for standard deviation; values above one (<1.00) signified communalities or agreement while values below one (>1.00) showed differences in responses as were provided by respondents.

Table 4.15 shows statistics as extracted from the field data about monitoring. Results reveal that a big proportion of respondents 69% (n=63) agreed to the statement that the church board is actively involved in monitoring the departmental operations to ensure compliance with policies and objectives of the SDA Church, the results were followed by 17% (n=18) that disagreed and 13% (n=14) that were neutral. This means that there is corporate responsiveness of all people entrusted with leadership in the church and this helps in

implementation of all guidelines and policies of the church without serious resistance from fellow leaders. This implies that the grounds for internal control strength are leveled and it was substantiated in an interview with one of the church pastors who revealed that, *"absence of regular monitoring would lead to finance misuse hence causing persons to be implicated."*

Views collected about item two posed that in your Church corrective actions are always taken in case of deviations from the planned activities included; 65% (n=58) that indicated positively; 26% (n=27) that were neutral and 19% (n=20) that disagreed; meaning that there is no room left for leaders to just do business their own way, they will always be in the know that any deviation from the ordinary, will call for a corrective action which may involve disciplinary action on such a leader. The implication is of leaders guided by the written policies for fear of being caught on the wrong side of management and internal controls in particular. However, in an interview with the church auditor, it was conversely said that, *"most of the procedures used for monitoring and evaluation on an ongoing basis for church program are known by local church leaders and help improve financial performance."*

Seventy four percent respondents (n=78) agreed to the statement that church board is committed to assessing risk and implementing appropriate control measures; 17% (n=18) neither agreed nor disagreed to the statement, while only 9% (n=9) disagreed to the statement. The results brought out a fact that precautions are taken against risk by all church leaders to ensure minimization of losses. The implication of this is that the purposes of internal controls in the management of church finances are taken as important and risks are always mitigated. This was further probed by the researcher through an in interview with a treasurer who said that, *"church periodically measures performance and relates it to actual output hence a vital factor in addressing financial controls."*

4.6.1 Correlation results for monitoring and financial management

The researcher used a correlation analysis technique to determine whether a relationship existed between monitoring and financial management of SDA Church and table below shows the results.

Table 4.16: Correlation Results for Monitoring and Financial Management

		Monitoring	**Financial Management**
Monitoring	Pearson Correlation	1	.330**
	Sig. (2-tailed)		.001
	N	**105**	**105**
Financial Management	Pearson Correlation	.330**	1
	Sig. (2-tailed)	.001	
	N	**105**	**105**

**. Correlation is significant at the 0.05 level (2-tailed).

Table 4.16 above, shows correlations results for control monitoring and financial management. Where R or Pearson correlation = .330**, the significance (sig) at 95% confidence level =.001 while N =105. The results reveal a positive and statistically significant relationship between monitoring and financial management meaning that when there is maximum management supervision and defined response mechanisms, there is likelihood that positive financial management will be realized.

4.6.2 Regression Results

A regression analysis specifically the model summary was used to establish the effect or variation control monitoring had on financial management and the results that emerged are presented in the Table below.

Table 4.17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.330[a]	.109	.100	.45469

a. Predictors: (Constant), Control monitoring

Source: Primary Data

The model summary table above comprises of values; R, R squared, Adjusted R square and Standard error of the estimate; where R=.330, R^2=.109, Adjusted R^2=.100 with a Standard error of =.45469 using the predictor monitoring. The adjusted R^2 value of (.100) explains up to 10% (.100*100%) variation, monitoring has on financial management the remaining percentage of 90% can be explained by other factors.

Table 4.18: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.602	1	2.602	12.583	.001[a]
	Residual	21.295	103	.207		
	Total	23.896	104			

a. Predictors: (Constant), monitoring

b. Dependent Variable: Management of financial resources

The ANOVA table above comprises of sum of squares, degree of freedom (df), mean square, F and Sig. The degree of freedom (df) - (**1, 103**), F= (**12.583**) and sig= *(*p < 0.05,**.001**). The p-value (0.001) reveals a statistically significant positive relationship between monitoring and Management of financial resources.

Table 4.19: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.371	.227		10.432	.000
	Control monitoring	.218	.061	.330	3.547	.001

a**. Dependent Variable**: Management of financial resources

The table above comprises of the model, unstandardized β, standardized coefficients, *t* value and the Sig**.** The unstandardized β coefficients values reveal that control activities significantly contributes to the equation for predicting management of financial resources, thus*(y=a +bx)* where *y is the dependent variable, a is the constant value and b is other value.* This relationship was found to be reliable and could be used to make predictions hence (Management of financial resources=2.371 + 0.218 monitoring)

Hypothesis Testing: Objective Three

H0 (null) was that "there is no relationship between monitoring and financial management in SDA" but after testing the two variables, the tests revealed that there was a significant positive effect, the Null was therefore rejected and the Alternate (H1) that is "there was a relationship between control monitoring and financial management in SDA church*"* was accepted.

4.7 Financial Management

Financial management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of an enterprise. Table 4.20 below shows statements about financial management, followed by percentages, mean and standard

deviation. The following statements clearly reflect percentages from a series of questions as designed by the researcher and administered for answers by the respondents.

Table 4.20: Descriptive Statements on Financial Management

Statements on Financial Management	**Percentage Response (%)**					**Mean**	**Std Dev**
	SA	**A**	**N**	**D**	**SD**		
In your Church all funds collected are banked intact	20.0	41.0	21.9	15.2	1.9	**3.61**	**1.03**
In your church before payments are made, there are checks that proper authority has been obtained for the expenditure.	24.8	50.5	13.3	10.5	1.0	**3.87**	**.937**
The church receives all the funds it budgets for and uses it per budget allocations.	2.9	29.5	36.2	23.8	7.6	**2.96**	**.979**
There is always reconciliation between daily cash declaration sheets and banking slips.	6.7	36.2	42.9	11.4	2.9	**3.32**	**.871**
There is a check that prices charged are the least for the best services/goods affordable before payment.	8.6	35.2	42.9	9.5	3.8	**3.35**	**.909**
The Church established financial controls in relation to the stewardship responsibility of leaders	11.4	61.9	19.0	6.7	1.0	**3.76**	**.778**
In your Church all departmental leaders participate in drawing the budget.	5.7	30.5	24.8	26.7	12.4	**2.90**	**1.13**
The budget is communicated for every Church leader to know.	10.5	37.1	22.9	20.0	9.5	**3.19**	**1.161**
Your Church board uses budgets or spending plans to review the church's financial performance.	7.6	40.0	28.6	17.1	6.7	**2.73**	**1.04**
In your Church all activities of the Church raise resources from the Church budget.	2.9	26.7	20.0	41.9	8.6	**2.63**	**1.01**
Weekly reports and monthly reports are given by the treasury team in addition to the quarterly business meeting financial reports.	13.3	33.3	16.2	21.0	16.2	**3.06**	**1.31**
The financial performance is communicated for every Church leader to know through financial statements.	10.5	33.3	21.9	26.7	7.6	**3.12**	**1.14**
Actual performance is compared with the budget for trend analysis	2.9	32.4	32.4	22.9	9.5	**2.96**	**1.02**

Source: Primary Data

SA=Strongly Agree A=Agree NS=Not Sure D=Disagree SD=Strongly Disagreed

Mean values above three, (>3.00) signified agreement while values below three (<3.00) showed disagreement in responses as were provided by respondents and for standard deviation; values above one (<1.00) signified communalities or agreement while values below one (>1.00) showed differences in responses as were provided by respondents.

Findings from Table 4.14 above show that the majority of the respondents 61% (n=62) indicated positively to the statement that all funds in their churches were collected and banked intact, however 22% (n=23) were undecided and 16% (n=18) disagreed to the statement. This means that strong controls are practiced right from the point of receiving funds. The implication of this is that no room is given for mismanagement of church funds. A small percentage of those disagreeing is a sign that some improvement is still needed to seal out the existing gaps. Those interviewed "*agreed to the existence of measures to curb personalization of church funds and a follow up on banking for reconciliation purposes"*.

A big response from the respondents 75% (n=79) believed that in their church before payments are made, there are checks that proper authority has been obtained for the expenditure, this was followed by 13% (n=14) that neither agreed nor disagreed to the statement and only 12% (n=12) that disagreed. This means that leaders are sensitive to the best management practices where segregation of duties is respected and each one playing his or her role without fear or favor. The implication is that, close monitoring is always practiced and it will always be hard for errors to go unnoticed which improves the management of finances in the church circles. Those interviewed agreed to the fact that "*different people do different roles in the church but they still asserted that at times segregation of duties is hampered by the limited number of those appointed to serve the church".*

Thirty six percent respondents (n=38) were neutral about the statement that the church receives all the funds it budgets for and uses it per budget allocations, however thirty one percent (n=33) disagreed whereas thirty three percent (n=34) agreed to the statement. Meaning that, a reasonable number of church leaders do not venture into knowing what is outside their departments. The close range between agree and disagree tells us that the church has problems realizing the required funds. This implies that there exists a gap in the management of church financial resources. Those interviewed confessed that" *the income of the church much depends on the service of the area pastor and elders, thus in case of failure on their part, a reduction in church income is likely. In addition it, was stated that the economic condition of the times also plays a great deal there by proving that in most cases the church does not realize its budgeted funds "*

A number of respondents 43% (n=45) neither agreed nor disagreed to the statement that there is always reconciliation between daily cash declaration sheets and banking slips. This was followed by a similar percentage 43% (n=45) that agreed and 14% (n=15) that disagreed meaning that some of the important internal control activities are not practiced by those responsible that is why the number of respondents agreeing and disagreeing is the same. The implication is that of high financial management risk faced by the church as a result of failure for those responsible to take a keen interest in the reconciliation processes. The administrative assistant interviewed "*expressed doubt on the continuity of the whole reconciliation process given that volunteers lacked time for all the available work".*

Many respondents that is forty four percent (n=46) believed that there is a check that prices charged are the least for the best services/goods affordable before payment, however forty three percent (n=45) were undecided and thirteen percent (n=14) disagreed. This means that controls in official channels of releasing funds are tightened for leaders to be mindful of value for money whenever they are dealing with church resources and the high number of those that were not sure may mean that some of the leaders still are closed out of what is taking place in other departments. More to this is the fact that, the system needs to be improved upon to strengthen controls in the release of finances.

The implication is that, if leaders are mindful before releasing church funds, the church benefits from each payment made therefore have improved financial management. The interview with the internal auditors *revealed that ''Church boards do not fully follow the procurement procedures and mostly supplies are got from church members without soliciting for the best in terms of cost and quality. Our interview with church treasurers brought out the fact that fear for release of church secrets binds them in dealing with those that have always handled church business."*

Further still a number of respondents 73% (n=77) believed that the church established financial controls in relation to the stewardship responsibility of leaders. The second lot of 19% (n=20) were undecided and 8% (n=8) only disagreed to the statement. This means that church leaders being trustees have got to handle what is entrusted to them faithfully and always be in position to fairly report to the owners of the church finances in a way that leaves no room for doubt .The best church management practice is by working within the church policies.

The implication of knowing and practicing the stewardship role by church leaders, keeps them in a state of fairness in everything they do for the church which improves the management of church resources. In our interview with departmental leaders "*it came to light that treasurers know and practice what the church policies state which has enabled them to fulfill their trust obligation."*

Another question posed to the respondent in search for results was about departmental leaders participation in drawing the budget, results got included a portion of respondents 36% (n=38) that agreed; 25% (n=26) that were undecided and 39% (41) that were in disagreement meaning that a few leaders are at the center of planning the use of church finances and others follow or just implement what is dictated on them by say the treasurer. It should also be noted that non participatory budgeting is a big disservice to fellow leaders and the leader in charge of budget monitoring as they always face unreasonable requests.

The financial management implication here is that, there is a gap in the budgeting process of some churches which causes a strain on resources when it comes to execution of church duties and at times conflict with the leaders. Our interview revealed that lack of "*budgeting knowledge deter some departmental leaders from budgeting for their departments and this leave treasurers with no option except to allocate funds as they see fit thus not every leader participate in planning for church funds."*

The budget is communicated for every Church leader to know was another item that was posed to the respondents and answers collected included; the majority 48% (n=50) that agreed; 23% (n=24) that were neutral and 29% (n=31) that disagreed. The findings portray a picture of a seemingly good flow of information within the church leaders, which is good for

internal controls and financial management. Every leader will be in the know of what is available and when, for a smooth flow of church activities which is a good practice for institutional resource management. The interview with administrative staff revealed *that "all departmental leaders are communicated to, to be aware of the available budgets for their departments just to ensure that the church operations are kept within the planned expenditure."*

Interestingly forty eight percent (48%) of the respondents believed that their Church boards used budgets or spending plans to review the church's financial performance, a portion of twenty seven percent was undecided and twenty four percent disagreed. Which means that budgets are used as a management tools in strengthening of the financial management and performance of a church.

It is noted that the church leaders are appreciative of the need to plan and follow the plan thus the budget being used as one of the evaluation tools for church leaders' performance. Interview with stewardship directors and treasurers "*agreed that there is always review of performance for all departments and comparison is against planed performance, whereby for finance the budget is the guiding tool used in reviewing actual against planned performance".*

Results show that a portion of respondents 51% (n=53) disagreed to the statement that in their Church all activities of the Church raised resources from the Church budget while 21% (n=20) were undecided and 30% (n=31) gave positive views about the statement. The big percentage of respondents tell us that the church finds a problem financing its activities internally which emphasizes that church leaders at times go out to find alternative means to

financing the church activities. The implication of this is that, those who out source and find their own means may not work with the policies of the church thus under minding its management systems and internal controls as well. Interview with treasurer and stewardship directors revealed that "*hundred percent of church business is supported by funds from tithe and offerings; it was very rare for them to get donations not through church structure.*"

Out of 105 responses got; a portion of n=49 (47%) indicated positively that weekly and monthly reports are given by the treasury team in addition to the quarterly business meeting financial reports, n=39 (37%) disagreed and only n=17 (16%) were neutral meaning that the church leaders always update the church member of the new developments which assures the church of continued support as systematic and continued reporting guarantees flow of information which is also key to good financial management. The interview with church secretary confirmed that" *church members are informed on a weekly basis the total collections and the church board receives detailed monthly income and expenditure reports"*. Another interview with the treasurers *"affirmed that reports are usually given to ensure the church is kept in the know for resource to continue coming"*.

Views were collected about the statement that financial performance is communicated for every Church leader to know through financial statements. Answers included 44% (n=46) that agreed, 22%(n=23) that neither agreed nor disagreed to the statement and 34% (n=36) that disagreed. Meaning that there is evidence that the leaders provide chance for others to have evidence of how church business moves, Implying that leaders are accountable to the church members and by providing accountability, it improves financial management. A big percentage of those disagreeing imply that, the internal control needs to be strengthened for improved management of church finances. Our interview with departmental directors

revealed that "financial reports are at times given during church board meetings by the treasurers though some church board members noted that time given is never enough for them to comprehend and discuss objectively the financial statement."

Finally many of the respondents 35.3% (n=37) agreed to the statement that actual performance is compared with the budget for trend analysis, however, another percentage of 32.4% (n=34) were undecided and 32.4% (n=34) disagreed. The result meant that those responsible for church financial resources carry out assessments to determine performance trends against approved budget which in its self is an internal control activity. Implying that with good financial management the church's performance against the budget will always be good. In our interview with administrative assistants and departmental directors "*it came to light that trend analysis is carried out but not always, which leaves gaps in the monitoring process".*

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the study, discussion of the findings that were carried out based on objective by objective from which conclusions were drawn and recommendations made. Further still, this chapter presents the limitations encountered and proposed areas of further study.

5.1 Summary of the Study

5.1.1: Control environment and management of Financial resources

Findings from the previous chapter four revealed that there was a positive (.396**) and statistically significant ($p<0.05$, .000) relationship between control environments and financial management. Additionally, control environments had a fifteen percent (15%) variation or effect on financial management while hypothesis testing revealed that control environment had a significant effect in the management financial resources in SDA church.

5.1.2: Control activities and Management of Financial resources

Findings showed that there was a positive (.304**) and statistically significant ($p<0.05$, .002) relationship between control activities and financial management. Control activities had an eight percent (8%) variation or effect on financial management while hypothesis testing revealed that control activities had significant positive relationship on financial management.

5.1.3 Monitoring and Financial management of resources

For objective three, results revealed a positive (.330**) and statistically significant ($p<0.05$,.001) relationship between monitoring and financial management; monitoring had a

ten percent (10%) variation on financial management while hypothesis testing revealed that monitoring had significant positive relationship on financial management.

5.2 Discussion of Findings

5.2.1: Control environment and Management of Financial resources

The study found out that Control Environment is well streamlined and the leaders committed to the controls of the SDA Church and the findings as highlighted from the previous chapter indicate or reveal a positive (.396**) and statistically significant (.000 < 0.05 at 95% confidence level) relationship between control environment and financial management. The results meant that, as long as staff exhibit technical competence and assignments of authority as well as responsibilities are well understood and defined, there was likelihood that good financial management would be exercised and realized.

Further still, the researcher used a regression technique to determine the percentage effect control environment had on financial management and the results that emerged show a 15% effect with the remaining 85% attributed to other factors. As far as hypothesis testing was concerned, the null hypothesis (H0) was rejected and the alternate (H1) that "control environment has significant positive effect on the financial management" was accepted.

Financial management roots from the ability to provide an adequate return on investment, bearing in mind the risks that the business is taking and the resources invested. To provide concrete evidence careful analysis of the findings from the interview and questionnaires prove the following;

Quantitative findings from the previous chapter revealed that majority of the respondents equaling to 72% agreed to the statement that in their churches, key leaders possessed adequate knowledge to execute their responsibilities. This big response meant that majority

of church leaders know the importance of having procedures/systems in place for good management results and its implication on financial management was that church leaders are not likely to beat internal control systems in the management of church finances. In the same progress one respondent gave a brief comment about the statement that competence of those in positions of responsibility is commensurate with the responsibilities held ***"****yes though at times circumstances occur for the leaders to override the control process."* This is in line with what Millchaps (1996) indicated that "if employees are competent and trust worthy with a few controls, they are able to perform and even ensure that resources of an organization are safeguarded".

Further still the Sarbanes Oxley act of 2002 requires companies/auditors to report on operating and effectiveness of their client's internal controls. It is the human resource competence which can enhance quality reporting and internal controls. This relates to what was captured from the field where views collected about the statement that the church leaders show commitment to competence by ensuring that personnel receive adequate training to perform their duties had sixty one percent (61%) of respondents that agreed to the statement, however, 22% percent were unaware. The group of people entrusted with the leadership and decision making have the required skills for good financial management for the soundness of the church.

In an interesting scenario, results captured show that a big number of respondents equaling to seventy seven percent indicated positively that in their churches responsibilities are clearly defined and communicated to church board members; however twelve percent neither agreed nor disagreed with 11% that disagreed.

The responses indeed meant that internal controls are clearly sent for those in leadership to follow and implement and its implication was that the finances of the church are secure with

internal controls in place as this is one of the main reasons for their existence in any given organization. In addition to those findings, a Pastor argued *that "accountancy profession calls for acceptance of the responsibility to act in the firm`s interest"*. Therefore, one of a professional accountant`s responsibility is to communicate fully to the responsible officials through making of reports about the financial status or position of a firm". This is supplemented by West and Zech, (2005) who assert that, the church must ensure clear assignment of roles to people engaged in church management systems and they should have the values of the church at hand and follow them in the day today running of Church business.

Amudo and Inanga (2009), in their study, "evaluation of internal control systems in Uganda, assert that internal controls are enhanced by the structure in place and consequently ensure proper management of institutional finances. Therefore the organization's ways of assigning authority and responsibilities renders a proactive approach to proper management of institutional finances. The indicators for control environment studied included technical competence and assignment of authority and responsibility with objective one being to examine the role of control environment in the management of financial resources in SDA church.

5.2.2: Control activities and Management of Financial of resources

Objective Two of the study was to examine the effectiveness of control activities in financial management of SDA Church. In order to determine whether a relationship existed between the two variables a correlation technique was used. The findings from the technique revealed that a positive and statistically significant relationship existed between control activities and financial management meaning that when staff are strict and follow the defined written policies and segregation of duties, there was likely to be positive financial management.

Further still, control activities had an 8.4% effect or variation on financial management with the remaining percentage of 91.6% attributed to other factors.

The study findings revealed that majority of the respondents 68% agreed to the statement that control activities exist and are effective and known by all those handling finances. This kind of awareness relates to the way corporate governance is applied in the SDA church. It is likely that the church leaders who participated in answering of research questions had found internal control activities in place and had practiced them. This was substantiated in an interview with one of the church official who revealed that, *"control activities in place are adhered to though with some element of failure at times".*

This is further supplemented by Mochal (2006) who asserts that if the policies are important enough to create and approve, they are important enough to enforce. Follow-up was necessary to determine why the policies were not being followed as well as an action plan put into place to ensure the organization does follow defined policies. It is known that without adequate internal controls, organization goals and objectives may not be achieved. Properly designed and functioning controls reduce the likelihood that significant errors or fraud occur and remain undetected. Internal controls also help ensure that departments are performing as expected. Though the finding are as stated above, consideration has not been made for religious institutions which base their management basically on trust and faithfulness of members who in turn happen to be employed by the church institution.

The majority of the respondents 68% (n=71) agreed to the statement that control activities exist and are effective and known by all those handling finances, 20% (n=21) were neutral; 13% (n=13) meaning that corporate governance is applies in the SDA church. It is likely that the church leaders who participated in answering of research questions have found internal control activities in place and have practiced it. This was substantiated in an interview with

one of the church official who revealed that, "control activities in place are adhered to though not quite often." These findings can be beefed up by Deloitte (2006) who argued that segregation of duties has always been an important component of a properly functioning internal control environment. It serves to prevent unintentional errors or fraud and ensure timely detection of errors that may occur. Because of regulatory compliance to Sarbanes-Oxley and other regulatory issues, companies are forced to increase their awareness and accountability of their employee's actions

The research carried out by KPMG in 2008 revealed that controls arising from effective and clear company policies and practices contribute close to 55% in preventing would be fraud which would lead to loss of institutional finances. These revelations can be supported by categorical data captured during the interview where many of the respondents 76% coincided with the statement that in their church, there are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately compared to 13% that had no side and only 11% that disagreed. In addition this revelation highlighted that internal controls are not only talked about, but fully implemented within the SDA church management systems, this is evidenced by implementation of basic controls to ensure that no one initiates a transaction and handles it to its conclusion. This was confirmed in an interview with an elder in the finance office who stated that, "*The challenges they find with the system is to follow policy to the point, it is not so easy to change and modify church policies both written and not written to the local situation"*

Equally the discussion built above clearly reflect the levels of awareness, understanding of policies and proper segregation of duties and responsibilities in relation to defined roles as were exhibited by respondents during the study any failure appear to be internally created

since the church set up is clear with strong internal control system management right from top to the local church, SDA church working policy (2007)

5.2.3 Monitoring and financial management of resources

Inferential findings from the previous chapter indicate a positive relationship (.330**) and statistically significant relationship (.001) between monitoring and financial management meaning that when maximum management supervision and defined response mechanisms are followed, there was a likelihood that positive financial management would be realized and findings from hypothesis testing indicated a reject for the null and acceptance of the alternate hypothesis. Furthermore, a regression analysis technique revealed up to a 10% variation or effect monitoring had on financial management and the remaining percentage of 90% was attributed to other factors.

Findings from the previous chapter clearly show that a good number of respondents 69% agreed to the statement that the church board was actively involved in monitoring the departmental operations to ensure compliance with policies and objectives of the SDA Church, however, a slight number 17% disagreed and 13% were neutral. The finding means that there is corporate responsiveness of most of the people entrusted with leadership in the church and this helps in implementation of all guidelines and policies of the church without serious resistance from fellow leaders and further imply that' the grounds for internal control strength are leveled .

This was summed up in an interview held with one of the pastors who revealed that, *"absence of monitoring would lead to finance misuse hence causing persons to be implicated, and further asserted that the church board receives regular departmental management reports to assist in monitoring of church's activities"*. Monitoring is also provided through

the annual financial statement audit process. Monitoring of internal control include policies and procedures for ensuring that the management report findings and other reviews are promptly resolved. Managers are to (1) promptly evaluate findings from audits and other reviews, including those showing deficiencies and recommendations and others who evaluate the treasury operations, (2) determine proper actions in response to findings and recommendations from reviews, and (3) complete, within established timeframes, all actions that correct or otherwise resolve the matters brought to management's attention.

Seventy four percent respondents agreed to the statement that church board is committed to assessing risk and implementing appropriate control measures; seventeen percent neither agreed nor disagreed to the statement, while only nine percent disagreed. The results put beyond question the fact that precautions need to be taken against risks by all church leaders to ensure minimization of losses.

The implication of this was that the purposes of internal controls in the management of church finances are taken as important and risks are always mitigated. This was further probed by the researcher through an interview with an Auditor who said that, *"church periodically measures performance and relates it to actual output which is a vital factor in addressing financial controls."* This finding agrees with what McNamara, (2010) stated that "there are several interpretations of the term monitoring but typically it is the activity carried out by the supervisor to oversee the productivity and progress of employees who report directly to the supervisor". Monitoring establishes the tone at the top and promotes an ethical business environment by providing structure, feedback and discipline. Further still, Millichap (1999) argues that it establishes and maintains controls activities such as reconciliations, approvals and review of operating activities. The resolution process begins when monitoring or other review results are reported to management, and is completed only after action has

been taken that corrects identified deficiencies, produces improvements, or demonstrates that the findings and recommendations do not warrant management action.

It was established that monitors have always discussed their findings with the controlling boards of local churches and leaders expect to more regularly to help them improve. The above findings agree with Kaplam (2008), assertion that monitoring should be on going

Controls need to be monitored for effectiveness and to ensure they have not become obsolete. Separate evaluations of control activities can also be useful by focusing directly on the controls' effectiveness at a specific time. The scope and frequency of separate evaluations should depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Separate evaluations may take the form of self-assessments or the direct testing of internal controls. Deficiencies found during ongoing monitoring or through separate evaluations or testing should be communicated to those responsible for the function and to at least one higher level of management. The indicators for monitoring focused on management supervision and response mechanisms with objective three having been establishing the effect of control monitoring on the financial management of SDA Church.

5.3 Conclusion of the Study

From the foregoing discussions the following conclusions were drawn from the study in order of the study objectives.

5.3.1 Control environment and Management of financial resources

Based on the findings of the study, it is concluded that Control environment is paramount in the management of SDA church finances as supported by the study findings of dimensions. However, the major obstacle is the voluntary nature of service of those employed and expected to implement internal controls at the local SDA church level, which has clearly

affected their efficiency as revealed in the study. It is the management environment created that will determine the ability for the successful implementation of internal controls in any organization be it a profit or nonprofit organization.

5.3.2: Control activities and Management of financial resources

On Control activities, the study concluded that the written policies and segregation of duties were appropriate for proper financial management. As highlighted by the findings, application of control activities yields positive results in the management of church financial resources and the reverse is true for their absence.

5.3.3: Control monitoring and Management of financial resources

Finally, it was concluded that control monitoring was vital for the management of SDA Church finances mainly through indicators of management supervision and the response mechanism given the statistically significant positive relationship between the two variables. The control monitoring variable move in the same direction implying that any unit change in one variable leads to a unit change in another.

5.4 Recommendation to the Study

The recommendations are given according to the study objectives, based on the discussions and conclusions of the research finding.

5.4.1 Control environment and Management of financial resources

According to research findings, it is recommended that, church officers should always ensure that the control environment set, is one that enables application of internal controls aimed at safe guarding church finances and other resources. This is based on the fact that according to findings from respondents, people expect and actually in some churches professional management of church finances is practiced.

5.4.2 Control activities and Management of financial resources

According to the research findings, it is here by recommended that in administration and usage of church financial resources, control activities should not be left out given the fact that accountability is part of the expected reports by the church members who are the owners of church financial resources, but do not participate in the day to day operations of church business which is best explained by the agency theory facts.

5.4.3 Control monitoring and Management of financial resources

According to research findings it is recommended that monitoring of church activities is a sure way to minimizing organizational risks and improve donor confidence to continue supporting God's work. Respondents asserted that monitoring is a management tool that is seen to be very important which has got to be applied in the management system of the church business.

5.5 Limitation of the Study

1) Just as other studies before this one were, this study was faced with factors beyond the control of the researcher and it is these that contributed to the limitations of the study.

2) The respondents answered thinking that the interview was aimed at identifying the challenges and to eventually provide support to eliminate such challenges. The second limitation was the biasness portrayed by some of the respondents who thought the questionnaire was aimed at paving way for their performance evaluation.

3) The said limitations were addressed by the researcher through laboring to explain the purpose of the study and the benefits of the findings to the church and the academic world.

5.6 Contributions of the Study

1) Though a lot had already been said by previous researchers and seemingly there was a lot of information on the role of internal controls in the financial management of faith based institutions. The gap existed as to the application and role of internal controls in Seventh-day Adventist church in Uganda. The study has revealed that only spiritual strength is not enough to safe guard the financial resources of the SDA church and that internal controls are very important in management of institutional finances in disregard of other factors including the spirituality claims by those in management.

2) The study further helps the public to know and appreciate the role of internal controls in management of institutions other than claiming factors such as faith as a lead factor for staff deployment.

3) The study helps the scholars to be able to compare the management requirement of faith based organization with organizations in other industries more so the service industry.

5.7 Areas of further study

1) Following findings of this research, it is being recommended that similar studies be carried out in other faith based organizations in Uganda.

2) Other areas that need to be studied include the role of faith on institutional financial management given the loud cry of corruption in most secular institutions and government bodies. This will help bring out areas that need to be emphasized as deployment of personnel is being done for key positions in any organization.

3) In addition, further study should concentrate on the examination of other factors that contribute to successful financial management not included in this study other than Internal Controls.

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APPENDIX 1: QUESTIONNAIRE FOR LOCAL CHURCH LEADERS

INTERNAL CONTROLS AND FINANCIAL MANAGEMENT IN SEVENTH-DAY ADVENTIST CHURCH: A CASE STUDY OF CENTRAL UGANDA CONFERENCE.

The questionnaire seeks to gather information about internal controls and finance management in the SDA Church as a partial fulfillment of the researcher's requirement for the award of a master's degree in financial management. Please fill this questionnaire as honestly as possible. For confidentiality, do not indicate your name anywhere on this questionnaire. Kindly ensure that you complete each section of the instrument. Information will be treated with strictest confidence. Thank you for your cooperation.

SECTION A: DEMOGRAPHIC CHARACTERISTICS

DATE:……..

Please tick where appropriate.

Name of the Church

(a) SDA Church Najjanankumbi [ ] (b) SDA Church Makerere [ ]

(c) SDA Church Namungoona [ ] (d) SDA Church Mityana [ ]

(e) SDA Church Nyendo [ ]

1. **Sex:**

(a) Male [ ] (b) Female [ ]

2. **Age bracket:**

(a) 18 - 25 [ ] (b) 26 - 33, [ ] (c) 34 - 41, [ ]

(d) 42 - 49 [ ] (e) 50 and above [ ]

3. How long have you been participating in management of Church affairs?

(a) 1- 5 [ ] (b) 6 -11 [ ] (c) 12 - 17 [ ]

(d) 18 - 23 [ ] (e) 24- 29 [ ] (f) 30 and above [ ]

4. Have you attended any Formal Education?

(a) Yes 〔 〕 (b) No 〔 〕

5. Please indicate your Level of Education

(a) Primary 〔 〕 (b) Secondary 〔 〕 (c) Certificate/ Diploma 〔 〕

(d) Degree 〔 〕

6. Responsibility in church _____

Section B: INTERNAL CONTROL SYSTEM

The questions below enquire about the existence and performance of internal controls in Seventh-day Adventist Church. Please tick the most appropriate response number for you in respect to the questions on the right hand side using the scale as indicated below:

Key: Indicate your option by ticking what you mostly agree with.

A- Strongly agree - 5

B- Agree - 4

C- Uncertain - 3

D- Disagree - 2

E- Strongly disagree - 1

	Strongly Agree	**Agree**	**Uncertain**	**Disagree**	**Strongly Disagree**
1. There are internal controls put in place in the Church.					
2. The internal controls are effective to detect risk.					
3. There have been cases of fraud and loss of financial resources in the Church.					

YOUR PERCEPTION ON CONTROL ENVIRONMENT AND FINANCIAL MANAGEMENT

Technical Competence and Assignment of Responsibility	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1. In your Church key leaders possess adequate knowledge to execute their responsibilities.					
2. The church leaders show commitment to competence by ensure that personnel receive adequate training to perform their duties.					
3. The treasurers and deacons handling finances are doing it with due care and integrity.					
4. In your church responsibilities are clearly defined and communicated to church board members.					

Your Perception on Control Activities and Financial Management:

Segregation of Duties and Written Policies	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1. Control activities exists, are effective and known by all those handling finances.					
2. In your church there are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained.					
3. In your church approval, reconciliation and asset custody are separated					
4. The church individuals authorize employees to perform certain activities and execute certain transaction					
5. Procedures are documented, kept current and readily available for daily use by all church members.					

Your Perception on Monitoring and Financial Management

Supervision and response mechanism	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1. Church Board is actively involved in monitoring the departmental operations to ensure compliance with policies and objectives of the SDA Church					
2. In your Church corrective actions are always taken in case of deviations from the planned activities					
3. Church Board is committed to assessing risk and implementing appropriate control measures					

Your Perception on Cash Flow Management of the Church

Expenditure Management and Income Generation	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1. In your Church all funds collected are banked intact.					
2. In your Church only stipulated procedures by the conference are followed in collection of church funds e.g. use of envelopes					
3. Church funds are counted by a team not one person					
4. In your church before payments are made, there are checks that proper authority has been obtained for the expenditure.					
5. The church receives all the funds it budgets for and uses it per budget allocations.					
6. There is always reconciliation between dairy cash declaration sheets and banking slips.					
7. In your Church the treasurer consistently updates church members on income and expenditure in the Church.					
8. There is a check that prices charged are the least for the best services/goods affordable before payment.					
9. The Church established financial controls in relation to the stewardship responsibility of leaders					

Your Perception on Budgetary Management of the Church

Participation and Comprehensiveness	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1. In your Church all departmental leaders participate in drawing the budget.					
2. The budget is communicated for every Church leader to know.					
3. Your Church board uses budgets or spending plans to review the church's financial performance.					
4. In your Church all activities of the Church raise funds from the Church budget.					

Your Perception on Accountability for Church Funds

Internal audit and financial reporting	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1. Weekly reports and monthly reports are given by the treasury team in addition to the quarterly business meeting financial reports.					
2. Periodic reports on the status of actual performance to budget is prepared and reviewed by Church board.					
3. The financial performance is communicated for every Church leader to know through financial statements.					
4. Actual performance is compared with the budget for trend analysis.					

Your Perception on Financial Management

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1. Your church receives the money as budgeted for.					
2. Budgets are prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance.					
3. The plans and budgets for the church activities are realistic, based on valid assumptions, and developed by knowledgeable individuals.					
4. The level of funding has affected the financial management of the Church					
5. Internal controls in place have led to improved financial management					
6. In your Church financial reports compare actual expenditures with budgets.					

THANK YOU FOR YOUR COOPERATION

APPENDIX II: Interview Guide

Interview guide for face to face interview

TOPIC: **INTERNAL CONTROLS AND THE FINANCIAL MANAGEMENT IN FAITH BASED ORGANISATIONS: A CASE STUDY SEVENTH-DAY ADVENTIST CHURCH, CENTRAL UGANDA CONFERENCE.**

Dear Respondent

The researcher is a student of Uganda Management Institute (UMI) Pursuing a Masters degree in management studies (Finance) and conducting a study to assess the effect of internal controls on the financial management of Faith based organizations a case study of SDA church Central Uganda Conference. You're kindly requested to answer the following questions according to your own perception of internal control applicability in the church management system. All information provided will be treated with confidentiality; therefore there is no need for you to disclose your name unless you wish to do so. Please reserve a few minutes of your invaluable time to answer the questions below;

Control environment:

- How long have you worked/held responsibility with SDA church?
- In your opinion briefly talk about the internal control system of the Church.
- Does management convey a massage of integrity and not compromise?
- Does positive control environment exist?
- Is competence of those in positions of responsibility commensurate with the responsibilities held?
- Overall are you satisfied with the internal control environment?

Control activities:

- What are the challenges you find with the current system?
- Are policies and procedures modified as need arises?
- Are control activities in place and adhered to by those in positions of responsibility?

Monitoring:

- Does monitoring take place regularly from higher organization?
- Are appropriate procedures in place for monitor and evaluation on an ongoing basis for Church programs and resources at local level?
- Are deficiencies reported to right officers for action?
- Are objectives of the Church periodically measured against actual results?
- What solutions would you suggest for improving internal control performance for better financial management in SDA Church?

THANK YOU FOR YOUR COOPERATION

APPENDIX III: Krejcie and Morgan Population Table (1970)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

APPENDIX IV: UMI Field Research Letters

UGANDA MANAGEMENT INSTITUTE

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Plot 44-52, Jinja Road
P.O. Box 20131
Kampala, Uganda
Website: http://www.umi.ac.ug

Your Ref:

Our Ref: G/35

19 July 2012

TO WHOM IT MAY CONCERN

MASTERS IN MANAGEMENT STUDIES DEGREE RESEARCH

Mr. Edward Miiro is a student of the Masters Degree in Management Studies of Uganda Management Institute 19th Intake 2009/2010 specializing in Financial Management, **Reg. Number 09/MMSFM/19/086.**

The purpose of this letter is to formally request you to allow this participant to access any information in your custody/organisation, which is relevant to his research.

His Research Topic is: *"**Internal Controls and Financial Management in the Seventh Day Adventist Church: A Case Study of Central Uganda Conference**"*

Gerald Karyeija (PhD)
AG. HEAD, HIGHER DEGREES DEPARTMENT

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Your Ref:

Our Ref: G/35

19 July 2012

Mr. Edward Miiro
09/MMSFM/19/086

Dear Mr. Miiro,

FIELD RESEARCH

Following a successful defense of your proposal before a panel of Masters Defense Committee and the inclusion of suggested comments, I wish to recommend you to proceed for fieldwork.

Please note that the previous chapters 1, 2 and 3 will need to be continuously improved and updated as you progress in your research work.

Wishing you the best in the field.

Yours sincerely,

Gerald Karyeija (PhD)
AG. HEAD, HIGHER DEGREES DEPARTMENT