UNIVERSITY OF CAPE COAST

EFFECT OF INTERNAL CONTROLS ON THE FINANCIAL

PERFORMANCE OF THE CHURCH OF PENTECOST IN THE

KOMENDA EDINA EGUAFO ABREM DISTRICT
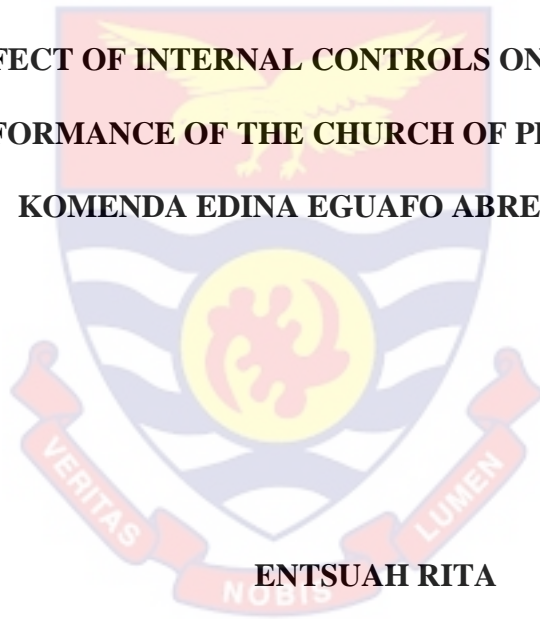
ENTSUAH RITA

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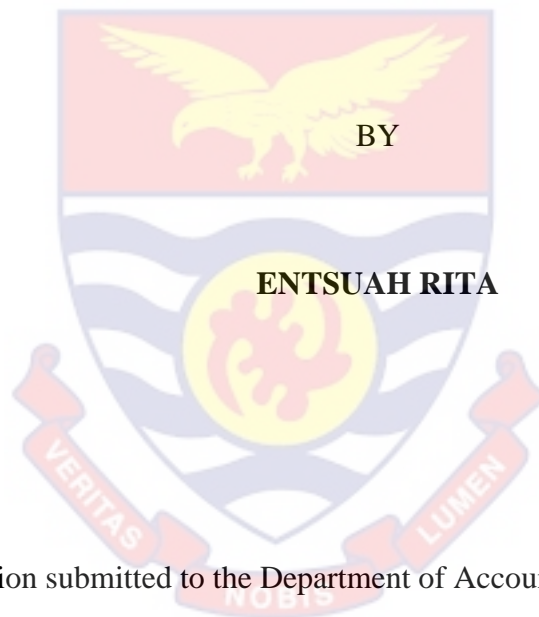
BY

ENTSUAH RITA

Dissertation submitted to the Department of Accounting, School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfilment of the requirements for the award of Master of Business Administration degree in Accounting

DECEMBER 2023

I

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree at this university or elsewhere.

Candidate signature: Date:...........................

Name: **ENTSUAH RITA**

Supervisors' Declaration

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor's signature: Date:........................

Name: **MR. PATRICK DARKWA**

ABSTRACT

A proficient system of internal control is a vital component in managing an organization, and serves as the foundation for the secure operation of entities. It has also been proven to have led to the perception of being fundamental to employee and organizational performance. Internal controls serve as a means to align organizational goals and aspirations with employees' capabilities, activities, and performance. The purpose of this research is to investigate the impact of effective internal controls on the finances of not-for-profit organizations that focus on the Church of Pentecost under the Elmina District of the Church of Pentecost in Komenda Edina Eguafo Abrem Municipal Assembly. The investigation was conducted by distributing 160 questionnaires to members of the Church of Pentecost – Elmina District. The questionnaire results show a significant impact on finances when internal control systems are working in a non-profit organization.

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KEY WORDS

Internal Controls

Internal Control Systems

Non-profit Organizations

Financial Management

Accountability

IV

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I would like to express my appreciation for your support and prayers towards completing this study. I am highly grateful. May God bless you all abundantly.

DEDICATION

To my family and friends

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LIST OF ABBREVIATIONS

COSO   Committee of Sponsoring Organizations

KEEA   Komenda Edina Eguafo Abrem Municipal Assembly

ISA   International Standards on Auditing

USCCB   United States Conference for Catholic Bishops

CHAPTER ONE

INTRODUCTION

Background to the Study

Ghanaian religious organizations play a pivotal role in national development, providing essential social services and spiritual guidance to millions (Adjei, 2015; Danso, 2018). With significant financial resources at their disposal, these organizations have a sacred responsibility to manage funds efficiently and effectively (Amoako, 2018).

However, inadequate internal control systems have consistently hindered the financial management capabilities of these organizations, compromising their ability to fulfill their missionary objectives (Kimmel, 2016). The consequences of financial mismanagement are far-reaching, affecting not only the organization but also the broader community (Opoku, 2020). Recent high-profile cases of financial impropriety within religious organizations underscore the urgent need for robust internal control systems (Boachie-Mensah, 2017). Strong internal controls ensure transparency, accountability, and financial discipline, enabling organizations to optimize resource utilization (Danso, 2018).

An internal control system is a crucial component of organizational governance, ensuring the accuracy, reliability, and completeness of financial information (Committee of Sponsoring Organizations, 2013). It comprises

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policies, procedures, and processes designed to prevent errors and irregularities, and safeguard assets (Kimmel, 2016).

The primary objectives of internal control are to ensure the reliability of financial reporting, effectiveness and efficiency of operations, compliance with laws and regulations, and safeguarding of assets (COSO, 2013). Effective internal controls also enhance operational efficiency, reduce risks, and improve decision-making (Danso, 2018).

Organizations, whether profit-oriented or non-profit, are established to achieve specific objectives, with non-profits focusing on addressing social needs as highlighted by Kumar et al., 2020, in their review of nonprofit literature. Conversely, profit-making entities prioritize generating revenue from their operations, a key aspect of strategic management emphasized by Morschett et al., 2019. Effective internal control systems are crucial for achieving these goals, providing reasonable assurance regarding organizational objectives as outlined by the Committee of Sponsoring Organizations (COSO, 2013). Moreover, research by Ahmed et al., 2020, underscores the importance of internal controls in ensuring efficient organizational management.

Churches, like non-profits, serve the public interest without seeking personal gains (Ekhomu, 2015). Their core mission is to spread Christ's teachings, enriching lives and fostering a global community of disciples (Michaelson et al., 2015). To fulfill this mandate, churches require resources,

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wise leadership, and commitment to sharing salvation and embodying Christ's values (Mark 16:15; Matthew 28:18-20), serving as a beacon of hope and light (Matthew 5:14).

Church members often struggle to accept that churches can fall victim to embezzlement and fraud, as noted by Shang, 2017. However, alarming trends indicate a surge in ecclesiastical crime. In Ghana, for instance, churches suffered staggering losses of GH¢1.4 billion to fraud between 2015 and 2020, according to Boachie-Mensah's (2020) research. Globally, the outlook is equally dire, with church fraud projected to reach $80 billion by 2025, as reported by Brotherhood Mutual, 2018. Furthermore, the non-profit sector, including churches, loses a significant 6% of revenue to fraud annually, as revealed in the Association of Certified Fraud Examiners' (ACFE, 2018) Report to the Nations on Occupational Fraud and Abuse. In Ghanaian churches, internal control weaknesses are a major contributor to fraud, accounting for half of all cases, as Danso (2020) discovered in his study on financial management practices.

Snyder et al. (2017) suggested that many incidents of fraud in not-for-profit organizations could have been mitigated through the application of effective internal control systems. Internal control is an important function to both for profit and not-for-profit organizations (Dzomira, 2014). Fraud in churches worldwide is becoming a pandemic, but implementation of well-

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designed internal control procedures is effective in the detection and prevention of fraud.

The majority of research on the impact of internal controls on organizational financial performances has centered on large for-profit entities, as exemplified by studies such as Owusu-Ansah and Yeboah (2018) and Zhang, Wang, and Liu (2019), while research on internal control measures in not-for-profit organizations is scarce due to limited availability of data (Archambeault et al., 2014). Johnson et al. (2015) also noted that there is lack of research on fraud within the church. As a result of this gap in the literature, further research is needed.

Statement of the Problem

Religious organizations are vulnerable to financial risks and inefficiencies due to weak internal controls, jeopardizing their mission, public confidence, and long-term financial stability (Shang, 2017). Despite the vital role of internal controls in ensuring financial transparency and effectiveness, studies indicate a significant knowledge gap and inadequate implementation of these measures within churches (Wood & Wood, 2014).

Consequently, churches have experienced a worrying increase in fraud and embezzlement cases, primarily attributed to insufficient or ineffectively implemented internal controls (Thornhill et al., 2016; Danso, 2020). Moreover, church leaders often harbor misconceptions about internal controls, believing

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they solely serve to detect and prevent fraud, and that implementing such measures signifies distrust in their congregation (Ahiabor & Mensah, 2014; Boachie-Mensah, 2020). This lack of understanding and ineffective implementation of internal controls has severe consequences, including financial irregularities (Wood & Wood, 2014), compromised financial sustainability (Shang, 2017), and erosion of public trust (Danso, 2020).

Few studies have explored internal controls in religious organizations, mainly in developed countries (Wood & Wood, 2014; Ahiabor & Mensah, 2014). This study aims to fill this gap by examining internal controls in Ghanaian religious organizations.

This study seeks to assess the effect of internal control systems on the financial performance of the religious organization in Ghana; using the Church Pentecost under the Elmina District; as a test case, to examine closely, the nature and form of internal control systems of the church, and also ascertain the weaknesses in the system. The primary focus, then, would be the evaluation of the internal control systems put in place by management of the church, to ensure the proper and efficient use of resources in attaining their set objectives.

The Church of Pentecost, Ghana, has a rich history dating back to 1937 when Pastor James McKeown, a British missionary, introduced the Apostolic Church to Ghana. Over the years, the church has grown rapidly, becoming an autonomous denomination in 1953. The Church of Pentecost's mission is to

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"possess the nations for Christ" through evangelism, church planting, and holistic development. This mission is guided by Pentecostal doctrines emphasizing salvation, baptism in the Holy Spirit, divine healing, and biblical authority. Today, The Church of Pentecost has over 3 million members worldwide, with a significant presence in Ghana, Africa, Europe, Americas, and Asia. The church's structure is hierarchical, with its General Headquarters located in Accra, Ghana.

The Church of Pentecost, Elmina District, is a subset of the larger Church of Pentecost, a Pentecostal denomination in Ghana. The Elmina District is one of the many districts within the Central Region which is divided into smaller zones with its own leadership and churches including; Number One Assembly, Bantuma Assembly, Ewe Assembly, Mount Zion English Assembly, Emmanuel Assembly, Macedonia Assembly, Central Assembly, Sanka Assembly, Bronyibima Assembly, Bethel Assembly, Golgotha Assembly, and Rehoboth Assembly.

Research Objectives

The main objective of this study was to assess the effectiveness of internal control systems in Churches of Ghana, with a specific focus on the Church of Pentecost - Elmina as an illustrative example.

To fulfil the overarching purpose mentioned earlier, the study aimed to achieve the following specific objectives:

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1) Recognize various mechanisms that have been proposed to improve the efficiency of internal control in the Pentecost Church.

2) Identify the key elements of effective and efficient internal control functions

3) Analyze the significant challenges that impede the successful operation of internal controls in accomplishing the Church's goals.

Research Questions

To accomplish the mentioned research objectives, the following research queries were taken into account. Some of the queries include:

1) Which internal control techniques have been implemented in the Pentecost Church to improve their effectiveness?

2) What are the critical factors that make an internal control system efficient and effective?

3) What are the primary obstacles that hinder internal control mechanisms from achieving the Church's goals?

Significance of the Study

This current study's significance cannot be overstated, since it aims to uncover positive effects of a proficient internal control system on the governance and accountability of religious institutions, specifically Churches. Additionally, it addresses the detrimental consequences of ineffective internal control processes on the management of religious entities. This study provides

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Church leaders and decision makers with valuable information on the policies and strategies that promote good governance, and enables them to improve the efficiency, viability, and purpose-driven approach of their respective Churches, beyond their spiritual mission of soul-winning for Christ.

Internal controls are important in religious organizations to safeguard the interests of Church members in areas such as financial collections, efficient daily operations, asset protection, and detection of errors and misconduct. This study aims to highlight the importance of these controls in Ghana's religious institutions and bring awareness to scholars and leaders about their significance.

Limitation of the Study

Ghana's Central Region comprises multiple municipalities, metropolitan, and district assemblies. For this study, the focus is on The Pentecost Churches within the Elmina District of the Church of Pentecost. The study focuses on internal control systems in the organization, their roles, and objectives, and employees' knowledge on the internal control systems, its effectiveness and how they impact financial performance.

Potential challenges include resource constraints in terms of time and logistics, difficulty accessing information, and balancing academic workload with research responsibilities. However, to overcome these challenges, the researcher will implement efficient time management, establish strong relationships with key stakeholders and utilize available resources effectively.

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By adopting these measures, the study aims to provide valuable insights into internal control systems and their impact on financial performance in The Pentecost Churches in the Elmina District.

Organization of the Study

There are five (5) chapters in the study, each with a distinct purpose. Chapter One introduces the study variables and outlines its objectives. Research questions are presented and key terminologies are defined. Chapter Two is the literature review that contextualizes the study in a relevant theoretical framework by analyzing previous research. Chapter Three describes the data collection methods and analysis techniques utilized to investigate the study problems. Chapter Four presents the statistical findings, including data presentation and a summary of key discoveries. Chapter Five analyzes the study results in comparison to previous literature, discusses the findings, presents concluding remarks, and provides recommendations for the organization and future research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This study explored the impact of internal controls on the financial performance of non-profit organizations, specifically the Church of Pentecost – Elmina District. The literature review therefore combines recent findings from the empirical internal control literature with established insights from professional and academic literature to determine the available research and identify gaps in the current literature in an attempt to address them.

A literature review is a comprehensive and systematic analysis of existing scholarly works pertinent to a specific research topic or area of study (Ofori, 2016; Amoako, 2017). This review examines relevant literature related to the current study, providing foundational knowledge and synthesizing existing research on the chosen topic.

The literature review discussed the organizational structures of the early and modern churches, concise overview of the evolution of internal control, the internal control system, and its components, importance and limitations of internal control systems and many others.

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Theoretical Framework

A theoretical framework refers to a conceptual structure that provides a systematic and coherent explanation of a phenomenon or problem. Theoretical framework is a collection of related concepts, assumptions, and theories that explain the connections among the under-study variables. Its purpose is to guide the study by providing a foundation for interpreting the results.

In the context of this current study, the theoretical framework adopted to describe the concept of effective internal control systems on the finances of the Church of Pentecost in KEEA district is the stewardship theory.

Stewardship theory

The stewardship theory was created as a replacement for the agency theory by Donaldson and Davis in 1991. Stewardship theory is a concept in management and leadership that posits that individuals and organizations are accountable for overseeing the resources entrusted to them in their capacity as stewards. Stewardship theory is characterized by a sense of responsibility, accountability, and ethical behaviour, where individuals and organizations are committed to safeguarding resources for the benefit of all stakeholders. Considering the church's efficient internal financial procedures, the theory has been embraced to support this current study. The effective management of the Church's finances is crucial for its day-to-day operations. Thus, it is the duty of

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church leaders to guarantee that the right internal procedures are followed in order to handle the resources that their followers have committed to them.

Njino (2008), provided enlightenment on sustainable development resource management in the Church. This was necessary as most of the project of the Church had economically failed due to mishandling. Njino, emphasized that, skills for managing resources were not solely for the Church but were relevant to caretakers in any capacity. Additionally, Jamieson and Jamieson (2009) recommended that clergy members should understand that they have a divine duty to care for God's people (as cited in Njobvu et al., 2020).

Stewardship theorists argue that when individuals or organizations act as stewards, they prioritize the stakeholders' interests including, employees, customers, the community and investors. This means that they focus not only on generating profits but also on creating value for all stakeholders. In contrast, theories like agency theory propose that individuals or organizations prioritize their self-interest, potentially at the expense of others. Hence, making this current study adopting stewardship theory at the expense of others.

Conceptual Review

Church in History

The word 'church' originates from 'ecclesia,' meaning a group called out by God's grace to worship and serve Christ (Stanley, 2020). The early church began after Jesus' crucifixion and resurrection, with Paul's letters (within 20

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years) being the earliest Christian records (Barnett, 2005). Initially, Christians met in private homes due to Roman persecution. However, after Emperor Constantine legalized Christianity in 313 AD, large public churches were constructed for worship. (Adjei, 2015)

The church serves three primary purposes: as the people of God, chosen and bound by covenant to proclaim salvation and restore humanity's relationship with God (Powers & Roberson, 2008); as the body of Christ, unified and diverse, inclusive of redeemed believers from all ages and nations (Baptist Faith & Message, 2000); and as the new humanity, redeemed and empowered through Christ to reflect His image. Additionally, the church's key functions include worship, instruction, encouragement, evangelism, and ministry to those in need (Stanley, 2020).

Financial accountability is crucial in churches. Churches employ internal auditing (IA) to ensure financial transparency and conduct regular internal audits. Additionally, external auditing (EA) provides independent verification of financial statements. Financial reporting to stakeholders is also essential, as emphasized in the Bible (Luke 16:1-13). A board of elders or deacons provides oversight and decision-making in churches, as guided by 1 Timothy 3:1-13. Church councils facilitate collaborative decision-making, following the example in Acts 6:1-6. Congregational meetings enable member involvement in key decisions, also modelled in Acts 6:1-6. Pastors and leaders

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undergo regular performance evaluations to ensure accountability, based on 1 Corinthians 4:1-5. Mentorship programs pair experienced leaders with junior pastors, reflecting 2 Timothy 2:2. Peer accountability encourages leaders to hold each other accountable, as encouraged in Proverbs 27:17.

Churches maintain open financial records, accessible to members and stakeholders, demonstrating accountability as seen in Matthew 25:14-30. Conflict of interest policies prevent personal gain, aligning with 1 Corinthians 6:1-8. Whistleblower protection safeguards those reporting misconduct, consistent with Proverbs 10:9. Biblical principles underpin these accountability mechanisms, emphasizing stewardship (1 Corinthians 4:1-5), integrity (Proverbs 10:9), and accountability (Matthew 25:14-30).

The Structure of Early Churches

The early church, formed after Jesus' death and the apostles' reception of the Holy Spirit, emphasized common faith, unified worship, and communal living, with a focus on witnessing, prayer, and breaking bread, reflecting the essential principle of koinonia (fellowship and unity) (Acts 2, 4:32-37; Serrano, 2018).

The Modern Structure of Churches

The following table displays the contemporary Church organization, which was influenced by the early Church's structure and comprised of bishops, deacons, and priests.

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Table 1. Church Hierarchy in the Middle Ages

Hierarchy	Roles
Pope	Leads the Church.
Archbishops	Implement the directives of the Pope.
Bishops, Deacon and Priests	Execute the orders and directives issued by the Archbishops.
Lectors, Acolytes, and Doorkeepers	Held the bottommost position in the Church

Source: The Structure of the Catholic Church - USCCB

Table 2. Hierarchy of Modern Church

Hierarchy	Roles
Church Board	Governs the Church
Senior Pastors	Takes charge and provides instruction.
Associates Pastors/Ministers	Provide teaching (Teachers)
Staff	Prepares and oversees the Church
Members	Ministry

Source: The Structure of the Catholic Church - USCCB

The medieval church adopted a feudal hierarchy, leading to exploitation and oppression, until the Reformation ushered in mercantilism and industrial capitalism (Pillay, 2017).

Since the Reformation, Christianity has fragmented into numerous church organizations, notably Protestantism, Pentecostalism, and Evangelism, marked by the emergence of mega churches (Ellingson, 2008). These mega

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churches, with at least 2,000 weekly attendees, are reshaping religion at local, regional, national, denominational, and congregational levels. Research attributes the multiplicity of churches to mainline churches failing to meet religious needs through liturgical ceremonies (Mbefo, 2002); global socio-economic and political instability (Obiefuna et al., 2016); and quest for evangelism, leadership, healing, and deliverance (Adegoriolu et al., 2018). However, according Obiefuna et al., 2016, critics argue that contemporary Christendom is marred by materialism and commercialization of the gospel.

Sources of Funds and Financial Management

Modern churches fund themselves through various means, including offerings (Luke 6:38; 2 Corinthians 9:7), tithing (Genesis 14:19-20; Malachi 3:8-10), special donations, pledges, and endowments. In Ghana, local churches primarily rely on offerings and tithes, with larger churches employing formal finance management and smaller churches often lacking financial oversight, typically handled by pastors (Barnes, 2013).

Audit Functions in Churches

Internal and external audit play critical roles in ensuring accountability and transparency in churches. Churches, as non-profit organizations, require effective internal and external audit mechanisms to manage resources efficiently. This literature review examines the role of internal and external audit in churches, highlighting key findings, challenges, and gaps.

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Internal audit is essential in ensuring effective internal controls in churches. Research has shown that internal audit practices in Ghanaian churches have weaknesses in internal control systems (Adjei, 2015). Danso, 2018, assessed internal audit effectiveness in Ghanaian churches, revealing inadequate risk management practices. These studies emphasize the need for robust internal audit functions in churches.

External audit is also vital in ensuring the accuracy and reliability of financial statements in churches. Amoako (2018) investigated external audit quality in Ghanaian churches, finding improved financial management. Opoku (2020) analyzed external audit reports of Ghanaian churches, identifying material weaknesses in internal controls. These studies highlight the importance of external audit in ensuring transparency and accountability.

The relationship between internal and external audit is critical in ensuring effective audit processes. Asante (2017) discussed coordination between internal and external audit in Ghanaian churches, emphasizing its importance. Boachie-Mensah (2017) examined reliance of external auditors on internal audit work in Ghanaian churches. These studies highlight the need for effective communication and coordination between internal and external auditors.

Despite the importance of internal and external audit, challenges persist. Limited resources and expertise in internal audit functions hinder

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effective internal controls (Danso, 2018). Inadequate internal control systems in small churches also pose significant challenges (Adjei, 2015). Furthermore, insufficient regulatory framework for church audits undermines audit effectiveness (Opoku, 2020).

Internal Control Systems

Different scholars have given explanations of internal control, presenting it as both a process and a system. Notwithstanding, Internal control was described by DiNapoli (2016) as a structure that combines the strategies, beliefs, behaviours, actions, alongside a company's personnel exertions to foster the attainment of its mission and objectives. Likewise, Pfister (2009) emphasized that internal control serves as a background for identifying, averting, and resolving possible errors that might arise when processing data. Internal control was viewed by Shim (2011) as a fundamental component of how an organization's affairs are directed and controlled towards the attainment of the organizational objectives through mechanisms designed to safeguard assets, examine the integrity of task execution, ensure operational effectiveness, and prevent, detect, and correct mistakes. Additionally, internal control is seen as distinct process tailored to companies aimed at delivering reasonable assurance of successful goal accomplishment, (Abbas & Iqbal 2012)

A report that was introduced by the Committee of Sponsoring Organization of the Treadway Commission (COSO) became widely accepted

for designing internal control systems in 1992. Since then, this report has been updated three times, in 2006, 2009, and 2013. According to COSO's 2013 definition, internal control is a process established by a firm's management, directors, and personnel aimed at offering satisfactory assurance of accomplishing objectives across multiple categories. The three essential categories for internal control include

i)   The dependability of financial reporting;

ii)   The operational efficiency and effectiveness, and

iii)   Conformity with relevant legal and regulatory requirements.

In Omane-Antwi's (2009) view, internal control systems consist of all controls - financial and non-financial - devised by management to promote smooth and efficient business operations, guarantee compliance with management regulations, protect assets, and enhance the accuracy of records. The UK's Auditing Committee explains that the auditor's operational standards amongst the following components of internal control systems:

Arithmetic and Accounting Feature of Internal Control

These controls ensures that the transaction to be recorded and processed have been correctly recorded, accurately processed and have been authorized. Such controls include checking the arithmetical accuracy of the records, the maintenance and checking of totals, reconciliations, controls accounts and trial balance.

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Personnel Feature of Internal Control

Personnel are very important features to be considered in setting up any control system. It should have the capabilities to employ qualified staff and be responsible for the selection and training as well as looking for the characteristics suitable for the various jobs.

Supervision Feature of Internal Control

Any system of internal control should include the supervision by responsible officials of day – to – day transactions and the recording thereof by responsible officials.

Management Feature of Internal Control

These are the controls exercised by management outside the day – to – day routine of the system. They include the overall supervisory controls, (exercised by management), the review of management accounts and comparison of actual expenditures with budgets and any other special review procedures.

Moreover, management can assess the performance of officials by the use of some management tools as budgetary control, management by objectives etc.

Components of the Control System

Internal controls systems operate at different levels of effectiveness. Arens et al (2006) stated that it is necessary that a system has certain elements

or characteristics to increase the likelihood that accounting records will be reliable and that safeguarding of assets will be dependable.

Internal control design and implementation vary by entity size and complexity. Smaller entities may use less formal and simpler processes, relying on active management involvement rather than extensive written policies and procedures.

According to Arens et al, 2006, the Committee of Sponsoring Organization of the Tread way Commission (COSO) (2004) report and the international standards on Auditing, ISA 315 stipulate the following as the five components of internal control; Control environment, Risk assessment, Control activities, Information and communication and Monitoring.

Control Environment

The Control Environment is a crucial component of an Internal Control System, as outlined by the Committee of Sponsoring Organizations (COSO). It sets the tone for the entire internal control framework.

The control environment, the foundation of internal control, encompasses various elements that enable organizations to achieve their objectives and mitigate risks (Arens et al., 2016). These elements include:

1. Management's philosophy

2. Organizational structure

3. Values

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4. Policies

5. Control activities

According to Lannoye, 2005, management implements control activities such as performance reviews, information processing controls, physical controls, and segregation of duties to achieve organizational objectives and mitigate risk.

Control activities, as described by Walker, 1999, are pervasive and occur at all levels and functions within an organization. These activities encompass approvals, authorizations, verifications, reconciliations, performance reviews, security maintenance, and record-keeping, including creation and maintenance of related records that provide evidence of execution. By implementing these control activities, organizations ensure accuracy and reliability of financial information, safeguard assets, promote operational efficiency, support compliance with laws and regulations, and maintain a strong internal control environment, ultimately mitigating risks and achieving organizational objectives.

The five principles relating to the Control Environment, as outlined by the Committee of Sponsoring Organizations (COSO), are:

i)   The organization demonstrates a commitment to integrity and ethical values.

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ii) The board of directors demonstrates independence of management and exercises oversight for the development and performance of internal control.

iii) Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

iv) The organization demonstrates a commitment to attract, develop and retain competent individuals in alignment with objectives.

v) The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

Risk Assessment

Every entity faces a variety of risks from external and internal source that must be assessed. Risk assessment is the process or procedure an organization goes through in the identification and analysis of relevant risks to the achievement of the objectives, forming a basis for determining how the risk should be managed.

Risk assessment involves using professional judgment carefully in identifying and evaluating factors which can affect the organization adversely and result is possible losses both financially and non – financially.

According to COSO, 2013, there are four principles relating to risk assessment. With these principles, the organization;

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i) Specifies objectives with sufficient clarity to enable the identification and assessment of risk relating to objectives.

ii) Identifies risk to the achievement of its objectives across the entity and analyses risk as a basis for determining how the risk should be managed.

iii) Considers the potential for fraud in assessing risk to the achievement of objectives.

iv) Identifies and assesses changes that could significantly impact the system of internal control.

Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risk to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

According to COSO, 2013, report there are three principles relating to control activities where the organization;

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i) The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

ii) Selects and develops general control activities over technology to support the achievement of objectives.

iii) Deploys control activities as manifested in policies that establishes what is expected and in relevant procedures to affect the policies.

Information and Communication

Relevant information needs to be found, gathered, and shared in a timely manner in order to ensure that obligations are fulfilled. Reports from information systems, which include financial, operational, and compliance data, allow for effective corporate management. In addition to being produced internally, the data is sourced externally and covers events, projects, and circumstances that are important for making well-informed business decisions and for external reporting. Effective inter-organizational communication is also necessary, encompassing vertical, horizontal, and diagonal flows. All organization members must be informed by top management about the criticality of taking control responsibilities seriously. They must understand their position in the implementation of the internal control system and how their daily activities relate to others'. Personnel must also have a means to transmit essential information upstream. It's also important to communicate effectively

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with external stakeholders like shareholders, suppliers, customers, and regulators.

Monitoring Activities

Internal control systems need to be monitored – a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risk and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

According to COSO, 2004, there are two principles in monitoring activities:

i)   The organization selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

ii) The organization evaluates and communicates internal control deficiencies promptly to those parties responsible for taking corrective actions, including senior management and the board of directors as appropriate.

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Types of Internal Control

Internal controls basically fall into two broad categories; these categories can either be preventive or detective. However, different writers have come out with different types of internal control systems. Milichamp, 2002, indicates that the types of internal controls are safeguarding of assets, separation of duties, supervision, verification, approval and authorization, documentation and reporting.

Other authors such as Lousteau, 2006, the state university of New York and DiNapoli, 2005, have agreed that the types of internal controls include directive controls, preventive controls, compensating controls, detective controls and corrective actions. The type of internal control systems adopted in an organization depends on the varying requirement of an organization. However, the most common types that are implemented in most organizations include preventive internal control, detective internal control and corrective internal control.

Preventive Controls

Preventive controls are proactive measures designed to deter or prevent undesirable events from occurring, thereby minimizing potential losses (Arens et al., 2016). Examples of preventive controls include:

    i)   Separation of Duties: Responsibilities are divided among individuals to reduce error or unauthorized action risks (Kimmel, 2016).

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Typically, authorization, recording, and asset custody duties are separated.

ii) Proper Authorization: Management authorizes employees to perform specific activities within defined parameters, requiring supervisory approval for certain transactions (Lannoye, 2005). Supervisors verify and validate actions against established policies.

iii) Adequate Documentation: Maintaining accurate and complete records helps prevent errors and misstatements (Mitchell, 2017).

iv) Physical Control of Assets: Restricting access to equipment, inventories, securities, cash, and other assets, with regular counting and reconciliation to control records (Walker, 1999).

Detective Controls

Detective controls are reactive measures implemented to identify and correct undesirable acts or irregularities after they have occurred (Kapp & Heslop, 2011; Dzomira, 2014). These controls aim to detect and address issues promptly. Examples of detective controls include:

i) Performance Review: Management compares current performance to budgets, forecasts, or prior periods to identify variances and unusual conditions (Arens et al., 2016).

ii) Reconciliation: Employees reconcile different data sets, investigate discrepancies, and take corrective action (Lannoye, 2005). Common

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types include bank reconciliation and stock requisition reconciliation.

iii) Audits: Regular external and internal audits review financial statements, scrutinize departments, and detect irregularities (Walker, 1999).

iv) Information Systems Controls: These controls encompass general and application controls. General controls include data center operations, system software acquisition, access security, and application development (Mitchell, 2017). Application controls include specific controls within applications to ensure data accuracy and security

Corrective Controls

Corrective controls, as described by Simmons, 1995, are measures implemented to address and rectify issues, errors, or irregularities that have occurred within the system. These controls aim to correct deviations and prevent future occurrences. Examples of corrective controls include system Redesign, Follow-ups, Post Audits and Disciplinary Actions.

Directive Controls

Rittenberg et al (2007) posit directive controls refers to policies and procedure put in place by top management to promote compliance. The policies

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and procedures from management that are important must pervade the organization and must be clear and consistent in order to ensure compliance.

Compensating Controls

Compensating controls are alternative controls implemented to mitigate weaknesses or gaps in existing internal controls, ensuring the achievement of organizational objectives (Arens et al., 2016). According to Kimmel, 2016, these controls address specific risks or vulnerabilities, providing alternative assurance when primary controls are ineffective.

Examples of compensating controls include manual review of transactions during system downtime, physical storage of documents (e.g., hard copies) to supplement electronic records, dual authorization for critical transactions, and regular reconciliation of accounts (Lannoye, 2005). Additionally, enhanced training for employees can serve as a compensating control to offset the lack of automation (COSO, 2013).

Objective of Internal Controls

Internal control objectives are desired goals or conditions for a specific event cycle, desired outcomes that minimize waste, loss, unauthorized use, or misappropriation, AICPA (2019). They are the conditions which internal control system to satisfy. For a control objective to be effective, compliance with it must be measurable and observable.

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Internal audit evaluates the organization's system of internal control by accessing the ability of individual process controls to achieve seven pre – defined control objectives. According to the COBIT Framework (2019), internal control objectives include:

i) Authorization, the objective is to ensure that all transactions are approved by responsible personnel per their specific or general authority before the transaction is recorded.

ii) Completeness, the objective is to ensure that no valid transactions have been omitted from the accounting records. (All receiving documents are matched to purchase orders)

iii) Accuracy, the objective is to ensure that all valid transactions are accurate, consistent with the originating transaction data, and information is recorded in a timely manner. (Receipts of inventory are correctly recorded in the accounting system).

iv) Validity, the objective is to ensure that all recorded transactions fairly represent the economic events that actually occurred, are lawful in nature, and have been executed in accordance with management's general authorization. (Purchase is supported by purchase orders, receiving documents, and invoices).

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v) Physical Safeguards and Security, the objective is to ensure that access to physical assets and information systems are controlled and properly restricted to authorize personnel.

vi) Error Handling, this objective is to ensure that errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management.

vii) Segregation of Duties, this objective is to ensure that duties are assigned to individuals in a manner that ensures that no one individual can control both the recording function and the procedures relative to processing a transaction.

Importance of Internal Control Systems

Every organization must have an efficient internal control system, ISA 315, 2019. As the definition of internal control system indicates, a proper internal control system will ensure;

i) Orderly and efficient running of the business

ii) Adherence to management policies

iii) Safeguarding the assets and securing as far as possible the completeness and accuracy of the records

iv) Considering the likelihood of error in the system of internal control.

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Limitation of Internal Control Systems

There is no such thing as a perfect control system, no matter how will the internal controls is designed; they can only provide a reasonable assurance that the objectives will be achieved. According to AICPA, 2019, designing and implementing effective systems of internal control requires management to clearly understand agency objectives and its operating environment. Management also needs to recognize the inherent limitations in the design and application of system that may impact on the ultimate delivery of agency objectives and services.

These inherent limitations include:

Judgment

According to COSO, 2013, the effectiveness of internal controls is limited by human judgment and frailty in business decision-making. Factors influencing this limitation include time constraints, availability of information, business pressures and human error. Decisions made under these conditions may, in hindsight, yield less-than-desirable results and require revision.

Breakdowns

Internal control weaknesses can arise from human errors, technology complexities, staffing challenges, and inadequate oversight, including factors such as misunderstood instructions, carelessness, distraction, and insufficient training.

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Management override

      COSO, 2013, notes that senior personnel may override internal controls for personal gain, including financial manipulation, misrepresentation, and falsifying documents.

Collusion

      Collusion can compromise internal controls, allowing individuals to manipulate financial data undetected. Examples include accounting staff conspiring to defraud the company, password sharing to bypass review processes, creating false transactions for personal gain, approving each other's transactions. Collusion can occur between employees with access to financial information, employees and external parties (customers, suppliers), multiple layers of management to meet targets or budgets. Collective actions can evade control systems, highlighting the importance of segregation of duties, regular audits, whistleblower policies and rotating job responsibilities.

The Relevance of Effective Internal Control Process

      The overall purpose of internal control is to help an organization achieve its mission. DiNapoli (2016) postulated that three types of objectives emphasize different aspects of internal control:

      i)   Operations objectives that serve to safeguard resources against loss due to waste, abuse, mismanagement, errors, and fraud;

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ii)   Reporting objectives that relate to internal and external financial and nonfinancial reporting and encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the organization's policies; and

iii)   Compliance objectives that deal with adherence to laws, regulations, contracts, and management directives to which the entity is subject.

All organizations need internal control to accomplish their missions; reduce opportunities for fraud; prevent loss of funds or other resources; establish standards of performance; ensure compliance with laws, regulations, policies, and procedures; preserve integrity; avoid bad publicity; ensure public confidence; and protect all employees (DiNapoli, 2016).

Parties Responsible for and Affected by Internal Control

Internal controls affect every single individual within a business organization, while all of an organization's people are an integrals part of internal control, certain parties merit special mention. These include management, board of directors (including the audit committee), internal auditors and external auditors, (Kennedy, 1996).

Management

According to Kennedy, 1996, the primary responsibility for the development and maintenance of internal control rests with an organization's

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management. With increased significance placed on the control environment, the focus of internal control has changed from policies and procedures to and overriding philosophy and operating style within the organization. Emphases on these intangible aspects highlight the importance of top management involvement in the internal control system. If internal control is not a priority for management, then it will not be one for people in the organization either.

Board of Directors

The board of directors and its audit committee has responsibility for making sure the internal control system within the organization is adequate. This responsibility includes determining the extent to which internal controls are evaluated

Internal Auditors

According to Hermanson et al. (2002), internal auditors are typically responsible for evaluating the effectiveness of internal controls in an organization. This role often involves ensuring the sufficiency of the internal control system, the dependability of data, and the efficient utilization of the organization's resources. Internal auditors are responsible for identifying and addressing issues with controls in an organization to improve them, and their focus covers all areas of controls, including operational, financial, and compliance controls.

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External Auditors

External auditors assess the effectiveness of internal control within an organization to plan the financial statement audit. In contrast to internal auditors, external auditors focus primarily on controls that affect financial reporting.

External auditors have a responsibility to report internal control weakness (as well as reportable conditions about internal control) to the audit committee of the board of directors.

Empirical Review

A number of studies have been conducted on internal control systems and the benefits it brings to organizations. In Ofori's (2010) study of effectiveness of internal controls in Ghana Post, he concluded that internal controls at the company existed albeit; its effectiveness was hampered by the absence of an internal audit unit. He asserted that the internal audit unit played an important role in monitoring its effectiveness. He however indicated that even though internal control system was only satisfactory and not effective, management's role was paramount in ensuring its satisfactory performance.

Amudo and Inanga (2009) also carried out a study in Uganda to evaluate the internal control system that the Regional member countries of the African Development Bank Group institute for the management of the Public Sector Projects that the Bank Finances. Out of the 14 projects of the Bank's Public

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Sector Portfolio studied, 3 projects were omitted per data obtained because they were not fully operational to install effective internal control systems. The study identified the following six essential components of an effective internal control system: control environment, risk assessment, control activities, information and communication, monitoring and information technology. The outcome of the evaluation process was that some control components of effective internal control systems were lacking in those projects. These rendered the control structures ineffective.

Gyebi, 2013, examined controls over cash at the Electricity Company of Ghana and concluded that control activities which are an essential component of internal control were affected. Reconciliations of records were done in a timely manner; appropriate authorization limits and segregation of duties were also ensured, assets were also adequately safeguarded. Overall, these control activities were effective in ensuring that the risks associated with the cash collection activities of the Electricity Company of Ghana were appreciably reduced.

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CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

Considering the pertinent ideas and research questions, this chapter addresses the study's research methods. The backdrop of the study design, methodology, target population, sampling process, instruments, protocols, and analytic techniques are all described.

Research Design

A survey research design was used which involves the collection of information from a sample of individuals through their responses to questions (Check & Schutt, 2012). Survey research as a useful and legitimate approach to research has clear benefits in helping to describe and explore variables and constructs of interest (Ponto, 2014).

The survey design was a suitable choice for this research as it enabled the collection of primary data, direct engagement with respondents, and firsthand observation of the church's internal control system, providing more accurate insights than secondary sources.

Study Area

The Church of Pentecost under the Elmina District in the Komenda-Edina-Eguafo-Abrem Municipal Assembly was selected as a case study. The Church of Pentecost was chosen as the study area due to its large membership,

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widespread presence, hierarchical structure, financial complexity, accessibility, and cooperative nature, making it a representative case study to investigate internal controls on the financial performance of non-profit religious organizations.

Population

Bell and Waters (2014) defined a population as a total group of individuals that are of interest to the researcher and individuals to which the outcomes of the study can be generalized.

Considering the topic for the study, all the assemblies under the Church of Pentecost Elmina District constituted the population. The sample size for this study constituted all the 14 assemblies with Church leaders (Pastors, Elders, and Deacons), Church administrators (Accountants, Treasurers, and Financial Secretaries), Church committees (Audit Committee, Finance Committee) and Church members who involved in financial decision-making processes.

Sampling Procedure

This study employed a non-probability sampling approach, utilizing convenience and purposive sampling methods.

Convenience sampling was used to select churches that are easily accessible and willing to participate.

Purposive sampling was used to select churches that meet specific criteria, that is, churches with experienced financial management teams, diverse

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membership sizes and demographics and churches that are willing to provide relevant information.

This study includes churches within the Pentecost Churches in Elmina District with established and operational internal control systems, functional financial management, and willingness to participate. Churches without functional internal control systems, inadequate financial management, incomplete financial records, or unwillingness to participate are excluded from this study.

The researcher initially identified potential churches through convenience sampling. Selected churches were then evaluated against predefined purposive sampling criteria. Eligible churches were contacted to confirm their participation in the study. Data collection was conducted through questionnaires filled by participating churches.

The sampling method employed in this study has two primary limitations: potential bias introduced by convenience sampling and limited generalizability due to the targeted nature of purposive sampling.

Sample Size

The sample size refers to the number of elements to be included in the study. For this research work, the researcher selected a sample size of one hundred and sixty (160) from the research population which includes both staff and management of the Church of Pentecost Elmina District.

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The sample size was determined using the following criteria:

i) Population size: 280 staff in the Church of Pentecost Elmina District.

ii) Desired Precision: ±10%

iii) Confidence level: 95%

iv) Response rate: Anticipated 80%

Using the Yamane formula (1967):

n = (N * x) / (1 + (N-1)*x)

Where:

n = sample size

N = population size (280)

x = precision level (0.05)

n ≈ 159

A sample size of 160 respondents is considered sufficient for this study due to limited resources, accessibility constraints and sufficient representation of the population.

Data Collection Instruments

The research data collection process involves obtaining information from participating individuals or groups. Martins, 1999, emphasized that data collection approaches can differ significantly, from basic observation to large-scale, international surveys. For comparative and generalizable insights, the

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study collected both primary and secondary data. Secondary data sources included books, journals, church reports, and online research, while primary data was gathered through questionnaires to assess effectiveness of internal control on the finances of the Pentecost Church under the Elmina District. Secondary data was essential to the researcher in presenting evidence, supporting ideas and statements through referencing various sources (Whittaker, 2012).

The use of questionnaires permitted wide coverage for a minimum expense for both in money and efforts. Also, it reached out to individuals who were normally difficult to contact.

Data Collection Procedures

This study employed a mixed-methods approach, combining primary and secondary data to achieve a comprehensive understanding of the research topic.

Primary data collection involved administering self-structured questionnaires to 150 respondents in the Elmina District of the Church of Pentecost. The questionnaires consisted of closed-ended and open-ended questions.

At the onset, the researcher sought the help of the management of the church, followed by an official letter to conduct the research. In-person

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distribution allowed for establishing rapport, explaining the study's purpose, and clarifying ambiguities.

The staff were served with one hundred and sixty (160) copies for five working days in which respondents were expected to finish answering the questionnaires. In some cases, the items were completed instantly for collection whiles others were collected later by the researcher. Only one (1) questionnaire failed to be retrieved due to the absence of the respondent.

Data Processing and Analysis

In order to draw a meaningful, valid and relevant recommendation, a combination of qualitative and quantitative procedures were used.   The researcher examined all questionnaires individually to ensure that answers elicited from the respondents addressed the research objectives stated in the study. The responses to the questions were rated and analyzed using SPSS, Microsoft Excel and descriptive statistical tools such as frequency tables and percentages. The analyzed data was discussed within the context of the research objectives.

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the data analysis, presentation and interpretation of findings on the data collected on effective internal controls on the finances of non-profit organizations using The Church of Pentecost – Elmina District as a case study. The main objective of the study was to examine the effectiveness of internal control systems in the churches of Ghana using The Church of Pentecost – Elmina District as a test case.

The study sought to answer the research questions: what are the –

i)   Measures, forms, and mechanisms developed to enhance the effectiveness of internal controls in The Church of Pentecost?

ii) Significant components of efficient and effective internal control functions?

iii) Primary challenges that prevent internal controls from functioning efficiently and effectively to achieve the Church's goals?

Results

Response Rate

The study targeted 160 respondents in the collection of data. Out of the 160 questionnaires issued, 155 were returned, giving a 97% response rate, as

shown in Table 4.1. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% is good and above 70% is rated very good. This also concurs with (Kothari, 2004) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on these assertions; the response rate for this study, 97% is very good.

Table 3 - Response Rate

Respondents	Questionnaires Administered	Questionnaires Filled and Returned	Percentage
Total	160	155	97%

Source: Field data, 2023

With a questionnaire as the main research tool to gather data from the respondents, the first section was intended to gather data on the background of the respondents. Frequency tables and charts are used in analyzing the data gathered from the respondents.

Analysis of Demographic Factors

Table 4- Sex Distribution of Respondents

Response	Frequency	Percentage
Male	120	77
Female	35	23

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Total	155	100

Source: Field data, 2023

In analyzing the data obtained in the study, the gender distribution of the respondents was taken into consideration to determine the age distribution within the group. The results of this analysis showed that the majority of the respondents were male, accounting for 77% of the total. In contrast, only 23% of the respondents were female.

This significant imbalance in the gender distribution of respondents strongly suggests that there may be a corresponding imbalance in the employment practices of The Church of Pentecost at the district office level. The fact that there are far more male employees than female employees suggests that there is a significant issue of gender inequality at play.

This observation raises important questions about the reasons behind this gender imbalance, and whether it reflects broader issues of gender-based discrimination or disparity in the workplace. Research has shown that gender imbalances can limit opportunities for women, and result in lower pay and reduced career prospects for female employees.

It is therefore important for The Church of Pentecost to investigate and address these concerns, by developing policies and practices that promote gender equality and inclusivity in the workplace. This may involve measures such as targeted recruitment and training programs, flexible work arrangements,

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and mentoring programs for female employees. By taking these steps, the Church can help to foster a diverse and inclusive workplace culture, where all employees have equal opportunities to grow and succeed.

Table 5. **Age Distribution of Employees**

Response	Frequency	Percentage
20 – 29	5	3
30 – 39	25	16
40 – 49	36	24
50 – 59	67	43
60 +	22	14
Total	155	100

Source: Field data, 2023

The results displayed by Table 5, indicates that, significant proportion of the respondents fell within the age range of 50 to 59 years, accounting for approximately 43% of the total number of respondents. Following this age group, the next most represented age range was 40 to 49, accounting for 24% of the total number of respondents.

These findings suggest that The Church of Pentecost has a relatively youthful and energetic workforce, with a sizeable number of employees who are between the ages of 40 and 49. This may have important implications for

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the development and implementation of effective internal control initiatives within the organization.

For instance, younger employees may be more receptive to new ideas and innovations, and may be more comfortable with the use of digital technologies and other tools that can facilitate effective internal controls. This may make them well-suited for taking part in training and capacity-building initiatives related to internal control measures.

In addition, employees in the age range of 50 to 59 may bring a wealth of experience and expertise to the organization, which can be harnessed to drive effective internal control initiatives. Their experience may help to identify potential weaknesses in the system and offer valuable insights and recommendations for bolstering internal control measures and improving organizational performance.

Overall, the findings of the study suggest that The Church of Pentecost has a workforce that is well-suited for taking part in internal control initiatives, and that there may be significant opportunities for enhancing the effectiveness of internal control measures within the organization by leveraging the skills and expertise of its personnel.

Table 6. Educational Attainments of Respondents

Response	Frequency	Percentage
O'Level/SHS	7	5

Diploma/HND	50	33
First Degree	65	42
Second Degree	27	17
Third Degree (PhD)	5	3
Total	155	100

Source: Field data, 2023

The data presented in Table 6 shows that a significant proportion of the respondents, representing about 33% of the total, hold either a Diploma or a Higher National Diploma (HND) qualification. These qualifications are generally considered to be intermediate-level courses that provide students with a practical understanding of a specific area of study. Furthermore, 42% of the respondents hold a Bachelor's degree, which is a highly-regarded academic qualification that has a broader scope and deeper level of knowledge compared to diploma and HND qualifications.

Moreover, 17% of the respondents have achieved Master of Business Administration (MBA) qualifications, which is an advanced academic qualification that provides students with a comprehensive understanding of business management. Finally, the remaining 3% of the respondents are PhD holders.

This shows that the Church of Pentecost has a significant pool of highly educated and qualified employees who possess considerable understanding and

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expertise in internal controls. Given their level of education and knowledge, these employees should be well-suited to comprehend and maintain internal control systems across all Church activities and transactions.

These highly qualified employees may also be well-poised to develop and implement effective internal control measures within the organization. Their theoretical and practical knowledge, coupled with their skills and expertise, may enable them to identify potential risks and weaknesses in the current internal control system and develop strategies to address such issues.

Overall, the data presented in the study suggests that The Church of Pentecost has a workforce that is highly qualified and knowledgeable in internal control systems. This means that the organization has a significant opportunity to leverage the expertise and skills of its employees to implement and maintain robust internal control measures, which will strengthen the organization's activities, avoid financial and reputational risks, and promote responsible management practices.

Table 7. Ranks of Respondents

Response	Frequency	Percentage
Minister	67	43
Church Steward	88	57
Total	155	100

Source: Field data, 2023

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The information provided in Table 7 leads us to infer that the Church's workforce is primarily composed of ministers, with 43% of the total workforce belonging to this group. Contrarily, the remaining 57% of the employees consist of stewards. This suggests that the Church has a highly skilled and experienced team who have a thorough understanding of internal control systems and their management. It is reasonable to assume that the presence of such competent personnel would increase the likelihood of successful implementation of advanced internal control measures, which would safeguard the organizational resources at the Church.

Table 8. Year of Association with the Organization

Response	Frequency	Percentage
1 – 5	22	14
6 – 10	28	18
11 – 15	50	32
16 and above	55	36
Total	155	100

Source: Field data, 2023

The results presented in Table 8 indicates the respondents' tenure in the organization, with 86% of the participants having been associated with the organization for six (6) years or more, while only 14% of the respondents have been involved for five (5) years or less. From this data, we can infer that a

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majority of the respondents have been associated with the organization for an extended period, which implies that they could have an in-depth understanding of internal control issues. They might possess a wealth of experience and knowledge about the internal control procedures implemented by the organization, as well as any challenges and shortcomings associated with such procedures. This could make them valuable assets in improving the internal control mechanisms of the organization.

Analysis of the Internal Control Issues of the Church

The fact that all participants in the study had knowledge of the Church's mission and objectives portrays a favourable understanding of the organization's purpose among the employees. This can be attributed to effective training and management practices that have instilled knowledge and enhanced awareness of the Church's goals. As a result, the implementation of internal controls in the organization could be improved based on this observation.

The survey results showed that the participants were knowledgeable not only about the mission and objectives of the Church but also had an understanding of the organizational code of conduct, especially in regards to effective internal controls. It is noteworthy that all respondents demonstrated a good grasp of the code of conduct, which is a favourable sign. Since effective information flow is crucial for successful implementation of internal control systems, it is imperative for the management to ensure optimum communication

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within the organization, given that the employees are familiar with both the mission objectives and code of conduct. This would help to enhance the effectiveness of internal controls.

As per the study's results, the information communication within the Church of Pentecost's premises was found to be efficient, and the staff comprehended all directions and information delivered to them, which they also complied with.

Effective supervision and control are imperative for internal control to work efficiently. The organization is at high risk of experiencing significant losses in the absence of it, due to employees' likeliness of making errors. Therefore, it is paramount for management to effectively monitor and oversee employees' activities. The statistical analysis of the study shows that 96% of the participants expressed satisfaction with the level of monitoring and supervision by the management team, which helps them become more effective. Only 4% had a different viewpoint. This indicates that most of the respondents have a positive perception of the level of supervision and control in the organization, and their opinion has a positive impact on the level of controls within it.

One important factor that impacts the effectiveness of the internal control system is the accuracy of the documentation. Inadequate documentation procedures and inaccurate transaction recording might have a detrimental influence on the system's performance. Based on the input provided by the

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respondents, the company has an internal audit division that oversees and confirms the accuracy of transactions. Additionally, they emphasized the team's important role in identifying and fixing mistakes.

It is essential for the staff working in the Accounts and Internal Audit departments to maintain their knowledge about the current trends and practices related to internal control. Regular attendance of training sessions and refresher courses helps them update their knowledge and skill sets, which are essential in dealing with the challenges that arise within the internal control practice. The management recognizes the importance of precise and expertly presented reports from the internal audit department, something that can only be achieved by the staff subjecting themselves to periodic training. Such training sessions enhance the staff's competence and expertise while also exposing them to global internal controls and audit practices. Results from the received questionnaires indicated that a considerable percentage, 70%, agreed and expressed their interest in periodic training, while 30% were against it. Most of those against the idea were mainly junior staff.

Table 9. Knowledge in Internal Control System

Response	Frequency	Percentage
Yes	123	79
No	32	21
Total	155	100

55

Source: Field data, 2023

In Table 9, we observe data relating to respondents' knowledge and training about the internal control system. According to this table, around 79% of the participants reported that they have acquired adequate knowledge about the internal control system. Interestingly, the majority of the respondents who indicated this response also mentioned that they have attended training courses relevant to internal control systems. This suggests that the organization has made considerable efforts to train and educate its employees about the internal control procedures and systems that need to be adhered to. These employees may have received practical exposure to specific internal control practices across different departments and may have learned about advanced internal control techniques and technologies. Thus, the employees who possess competence and training in these areas are likely to perform better when it comes to compliance with internal control-related policies and procedures, which could enhance the organizational performance and reputation.

This is a positive finding because it suggests that The Church of Pentecost has a robust training program for its employees regarding internal controls, which has resulted in most of them acquiring sufficient knowledge about the systems. This will enhance the organization's internal control culture and promote effective internal control measures within the organization.

However, approximately 21% of the participants hold divergent opinions, suggesting that they either do not possess sufficient knowledge of the internal control system or have not attended training courses related to internal control measures. Notably, most of the respondents in this category hold junior positions in the organization and have less than five years of work experience.

This finding may indicate that the Church of Pentecost needs to enhance its training and education programs for employees in junior positions to foster a better understanding of the internal control system. Additionally, the organization may consider introducing refresher courses to keep all employees abreast of any changes to the internal control system.

It can be argued at this point that, The Church of Pentecost has a relatively effective training and education program relating to internal control systems. However, the organization may need to consider enhancing this program for employees in junior roles to ensure that all employees are able to assist in preserving efficient internal controls and possess a thorough understanding of the internal control system.

Table 10. Participation in Workshop Organized for Internal Purposes

Response	Frequency	Percentage
Yes	116	75
No	39	25
Total	155	100

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Source: Field data, 2023

       Table 10 indicates that 75% of the respondents or 116 participants have attended staff workshops on internal control. The probable reason for their attendance could be their recognition of the advantages of internal control in the Church surroundings. Nevertheless, 25% of the respondents revealed that they have not yet been a part of such workshops. Further analysis confirms that most of these 25% were junior staff members with less than five years of work experience.

Table 11. Awareness of the Benefits of Internal Control Systems

Response	Frequency	Percentage
High	74	48
Low	31	20
Average	50	32
Total	155	100

Source: Field data, 2023

       The results in Table 11 indicates that, of the 155 respondents who acknowledged knowing about the advantages of internal control operations, 48% said they were highly familiar with these benefits, while 32% said they were just averagely aware of them. Only 20% of the participants admitted having little awareness. The analysis results suggest that the respondents with limited awareness are likely to be those who have not attended internal control

workshops and have no understanding of internal control systems, as demonstrated in Tables 4.7 and 4.8. It can be inferred from the high and average levels of awareness reported in Table 11 that internal control measures will be meticulously observed.

Table 12. Communication of Internal Control Systems

Response	Frequency	Percentage
In Favour	129	83
Not in Favour	26	17
Total	155	100

Source: Field data, 2023

Majority of respondents as highlighted in Table 12 support the notion that internal control issues should be shared and discussed with other personnel, as they believe it will encourage transparency and accountability. Specifically, 83% of the respondents hold this perspective. Conversely, only 17% of the sample think that internal control issues should be exclusively handled by proficient individuals and not be shared with other members of the organization.

Table 13. Ways of Communicating Internal Control Issues

Response	Frequency	Percentage
Memos/Letters	39	25
Staff Meeting	103	67
Not Communicated	13	8

Total	155	100

Source: Field data, 2023

According to Table 13, most of the sample (67%) reported that internal control matters are discussed during meetings, and 25% of them mentioned receiving information through memos/letters, perceiving it beneficial to their comprehension of the internal control system. Nevertheless, a portion of respondents (8%) expressed that internal control issues are not communicated at all, and they believe this leads to conflicts and lack of trust between members of the organization.

Table 14. Types of Internal Control Systems

Response	Frequency	Percentage
Preventive Control	26	17
Corrective Control	84	54
Detective Control	39	25
All of the above	6	4
Total	155	100

Source: Field data, 2023

The largest percentage of respondents (54%) as demonstrated in Table 14 believe that internal control serves as a mechanism for correction, while 17% perceive it as a preventive tool, and 25% as a detective control. Six respondents regarded it as having all three functions. Moreover, some participants cited

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examples of internal control measures adopted by the organization to prevent fraud and secure records. Peer review, job segregation, internal control efforts, control processes, audit control, and system security are some of these approaches.

The data analysis and presentation indicate that internal control systems exist in various religious organizations, and qualified professionals with extensive expertise handle these systems. The internal controls consist of regulating cash, cheques, inventory, and fixed assets. However, the Church encounters challenges in effectively implementing certain systems, including those based on computers and other methods.

Most of the respondents stated that the controls in the religious institution are focused on correction. The Church of Pentecost's organizational structure is formal, bureaucratic, and carefully established. It is well-structured, beginning with the top-ranking officials and extending to the line managers and lower-level workers. Meetings are used to effectively communicate important information regarding legislative changes, regulatory developments and shifts in political administration may affects the organization.

Table 15. Internal Audit Effectiveness and Efficiency

Response	Frequency	Percentage
Excellent	65	42
Very Good	52	33

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Good	32	21
Bad	6	4
Total	24	100

Source: Field data, 2023

Significant number of respondents as indicated in Table 15 endorsed the existence of an audit team that scrutinizes and certifies the correctness of documents, signifying the organization's recognition of the significance of internal control mechanisms. Virtually all the individuals who partook in the study perceive that the internal audit unit monitors and manages the Church's internal control system ably and effectively.

It has been determined from the survey that the Church of Pentecost's control procedures are very effective in fulfilling the Church's objectives. To prevent fraudulent activities within the organization, procedures such as dividing tasks and reconciling accounts have been put in place. Since the Church is focused on serving the community and evangelizing, the acceptance of cash transactions is highly discouraged. However, in circumstances where cash transactions are necessary, the cash should be deposited in the bank as soon as possible, typically within one to three days. Additionally, the survey has identified that the control measures employed by the Church vary significantly, mainly depending on the circumstances involved as depicted below:

i) The regularity and extent of transactions handled on a daily, weekly, monthly, or yearly basis.

ii) The number of administrative staff members that are present.

iii) The degree of importance placed by the department heads on internal control methods.

iv) The security protocols used to protect records and deter fraudulent conduct.

Table 16. Documents Approval and Authorization

Response	Frequency	Percentage
Finance Officer	13	8
Accountants	32	20
Account Clerks	3	2
Pastors/Apostles	63	41
It depends on the type of documents	44	29
Total	155	100

Source: Field data, 2023

The responses obtained in Table 16 indicates groups with the mandate to authenticate and approve documents which includes cheques in the Church. It can be noted that the main responsibility for authorizing cheques and other documentation primarily lies with the Pastors and Apostles, unlike the other authorities listed in the table. According to seven participants, the approval of

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documents is dependent on the specific type of documentation and could be endorsed by any of the authorities specified previously. Furthermore, an interview indicated that significant and delicate resolutions of the Church are impacted by these Pastors and Apostles, resulting in the effectiveness of the internal control system being affected.

Table 17. Inventory Controls

Response	Frequency	Percentage
Agree	84	54
Strongly Agree	39	25
Neutral	19	13
Strongly Disagree	13	8
Total	155	100

Source: Field data, 2023

The responses provided by the participants on inventory requisitions and corresponding authorization procedures have been summarized in Table 17. Upon analysis, the entire group of respondents confirmed that appropriate authorization procedures are in place for inventory requisitions. The data shows that 84 individuals agreed while 39 strongly agreed with this assertion. On the other hand, 13 respondents strongly disagreed, and 19 others indicated neutrality towards this statement. It is worth noting that all participants acknowledged the recording of inventory transfers and movements, with regular

reconciliations of inventory records with actual physical balances. Furthermore, all respondents unanimously agreed that authorized store employees are solely responsible for removing goods and materials from stores in line with inventory controls.

Table 18. The Church Assets Records

Response	Frequency	Percentage
Agree	68	44
Strongly Agree	56	36
Neutral	19	13
Strongly Disagree	6	4
Disagree	6	4
Total	155	100

Source: Field data, 2023

As can be seen from Table 18, most respondents (80%) agreed or strongly agreed that the organization's assets are accurately being recorded and compared to the assets register. This means that in order to ensure their safety, assets that are acquired and then removed from the company be properly documented.

Table 19. There Are No Defined Roles for Staff and Management for Specific Functions

Response	Frequency	Percentage

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Yes	142	92
No	13	8
Total	155	100

Source: Field data, 2023

The researcher included a question inquiring whether the organization has defined roles for staff and management to perform specific functions. As can be seen from Table 19, 92% of the respondents agreed with this statement, while the remaining 85 disagreed. This affirmation underscores the organization's commitment to clarity and accountability, which are essential components of a robust internal control system.

Table 20. How Efficient and Effective is the Computer-Based Information of the Church

Response	Frequency	Percentage
Excellent/Very Good	52	33
Bad	103	67
Total	155	100

Source: Field data, 2023

According to the responses gathered from the participants, a majority (67%) agreed that the computer-based information system employed by the Church is neither effective nor efficient. They justified their stance by pointing

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out several deficiencies in the organization's computer-based information system, which hinder the smooth flow of work processes.

Discussion

An essential part of any firm is its internal control system, which is responsible for guaranteeing the efficacy and efficiency of operations, providing reasonable assurance regarding the dependability of financial reporting, and adhering to applicable rules and regulations. The Church of Pentecost, as an organization, has the responsibility to determine the appropriate level of internal control mechanisms required to mitigate any potential risks and safeguard resources effectively.

This responsibility falls on the management of the Church of Pentecost, who must carefully evaluate the size, nature, and complexity of the organization's activities to establish the appropriate level of internal controls needed. The level of internal control mechanisms can vary depending on the range and scope of activities that the Church of Pentecost engages in, as well as the number of resources it manages.

The organization's management must ensure that internal control policies and procedures are properly implemented, monitored, and updated as necessary, to remain relevant and effective. Doing so would allow the Church of Pentecost to maintain the integrity of its financial statements, prevent financial fraud or embezzlement, and adhere to regulatory obligations. By

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strengthening its internal control systems, the Church of Pentecost would enhance its operational efficiencies and effectiveness, promote compliance with business laws and regulations, and minimize any reputational risks that may arise.

The management should develop a proactive approach to identify and assess the risks faced by the organization and develop effective internal controls to prevent, control, and minimize errors and irregularities. However, it is essential to note that the aim of an internal control system is not to eliminate all forms of fraud, since it is impossible to eliminate all risks and uncertainties due to human nature and environmental factors.

The management's roles and obligations, which are connected to the contractual duty of care they owe the Church as stewards working on its behalf, determine how effective the internal control system is. The management of The Church of Pentecost must execute their duties with due care, skill, and diligence, which includes ensuring the design and implementation of an effective internal control system.

The management should establish policies and procedures that ensure compliance with laws, regulations, and guidelines, and create an ethical culture that promotes integrity and honesty.

It is also critical for the management to monitor and evaluate the internal control system's effectiveness and make necessary adjustments to ensure it

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remains relevant and efficient in mitigating risks. Additionally, the management should ensure that employees are aware of their roles and responsibilities relating to the internal control system and receive regular training on the subject.

The management of The Church of Pentecost bears the responsibility of determining and implementing an appropriate level of internal control mechanisms that aim to prevent, control, and minimize errors and irregularities. This responsibility is linked to the contractual duty of care they owe to the Church, and the effectiveness of the internal control system depends on their roles and responsibilities in creating and promoting an ethical culture and monitoring the system's effectiveness.

In order for the management to fulfil their duty of care, they must follow the Church's strict code of conduct, closely observe compliance and take necessary measures in case of breaches. They should also work on strengthening the internal audit unit and empower the audit committee to effectively carry out its responsibilities.

An internal control system that is robust, successful, and efficient is essential to the Church's development, survival, and accomplishment of its goals. Employees at all organizational levels and management play a major role in the effectiveness of the internal control system. The organization's issues may worsen and become unavoidable if they neglect to give priority to the following: authorizations; timely information recording; separation of duties; compliance

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with accounting standards and principles; an efficient internal audit unit; competent and trustworthy staff; and other critical components suggested by Larson et al. (1987) and Vatter (1950)

The study conducted has established that the staff of the Church of Pentecost has a good understanding of the internal control system. This is largely due to the active participation of staff in various workshops on internal control system issues. The staff of the Church of Pentecost have demonstrated that they possess the knowledge and skills required to operate the internal control system of the organization effectively.

The study did reveal that there is insufficient effective communication regarding internal control issues among the Church of Pentecost staff members. This suggests that staff members could not be sufficiently sharing information about the internal control system. This might result in an internal control system failure, putting the company at risk of fraud and other irregularities.

Furthermore, the study identified identifiable gaps in the organization's computer-based systems that require proper attention and remedy. This indicates that the Church of Pentecost needs to invest in its computer-based systems to enhance their effectiveness in supporting the internal control system.

Another potential issue identified is that the roles of staff and management within the Church of Pentecost are not clearly defined. This could lead to confusion and a lack of accountability, which would ultimately impact

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the effectiveness of the internal control system. It is crucial that the roles and responsibilities of all individuals involved in the internal control system are clearly defined to ensure that they are held accountable for maintaining the internal control system's effectiveness.

The current study assert that staff of The Church of Pentecost possess a commendable grasp of the internal control system, there are still areas that require attention. The lack of effective communication among staff, identifiable gaps in computer-based systems, and unclear roles and responsibilities all pose challenges to the organization's internal control system's effectiveness. It is essential that these issues are addressed to mitigate the risks associated with the internal control system.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary results of the study and makes some important recommendations and suggestions to the problems identified.

Summary of Findings

This study established a framework that acknowledged the scepticism of financial irregularities prevailing among Church members, despite their existence being a critical issue in many Churches. Thus, it became imperative to investigate the efficacy of internal control systems in identifying, stopping, minimizing, or getting rid of these irregularities. Prior studies (Thornhill, et al., 2016 & Afriyie, et al., 2018) have indicated that a lack of effective internal control or poor implementation of internal controls are usually responsible for dishonesty in Churches. Unfortunately, some Church leaders believe that implementing internal controls may make their flocks feel untrusted, which is a common misconception (Ahiabor & Mensah, 2014). However, the findings of this study support previous research's contention that the trust culture in Churches can hinder the installation and implementation of effective internal control systems.

According to the study, Church of Pentecost staff members are knowledgeable about internal control procedures and have completed pertinent training on the subject, which is compliant with the Internal Control Act.

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According to the study, the Church of Pentecost effectively disseminates information about internal control activities to its staff. As a result, most employees are cognizant of the advantages of internal control systems and have a better understanding of the organization's operations. The study results also revealed that the internal control system instituted by the organization is effective and powerful. Furthermore, it was revealed that the Church of Pentecost frequently organizes workshops for its employees.

Regarding inventory control, the study identified that establishing the re-order and maximum stock levels presented challenges. Similarly, with respect to computer-based system control, all the respondents expressed that the Church's computer-based system was ineffective and inefficient. Concerning fixed-asset controls, the study revealed that the quantity of assets was unknown, and the revaluation process for these assets presented difficulties.

The study found that defining job roles was integral to the Church's internal control system. However, half of the respondents expressed that there were no clearly defined roles for either staff or management for specific functions. This lack of clarity was deemed a significant threat to the organization's internal control system.

The study respondents identified several constraints to the organization's internal control system, including abuse of incumbency by top management, giving too much power to Apostles/Pastors to disregard established controls,

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ineffective communication of internal controls to all staff, and management's refusal to adhere to the internal controls they have established.

Recommendations

Recommendations for Practice

Following the findings discussion, the following recommendations were put forth.

i) The Church expand its internal control unit by recruiting more professionals who are members of accredited bodies such as ICA Ghana, ACCA, and CIMA. These professionals possess specialized knowledge and deep understanding of their field, which can be beneficial in mitigating internal control problems.

ii) The Church's management puts more focus on enhancing training programs, refresher courses, and seminars offered to employees on a regular basis. Additionally, the Church should encourage all staff and employees to stay informed about emerging technologies and technical matters by upgrading their skills and staying current with industry trends.

iii) The Church's management must make it a priority to establish a clear division of work and responsibilities, as well as to regularly rotate duties.

iv) To ensure the protection of the organization's assets, the Church's control mechanism must be trustworthy and subjected to frequent checks.

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Based on the feedback provided above, it is evident that for an entity to successfully attain its goals and objectives, it is critical to have robust internal control systems as well as a capable and proficient internal auditor. However, it is worth noting that the effectiveness of these measures relies heavily on the commitment of all stakeholders and continuous assessment of the system's performance. The Church's internal control and audit unit serves as a manifestation of the organization's objectives. Hence, deficiencies in internal control and ineffective internal auditors may pose a significant threat to the realization of an organization's objectives.

In the researcher's capacity as a Finance Committee member of a local Church in Elmina and Operations Assistant at a rural bank, who possesses a wealth of knowledge on Church fund management and the significance of internal control in preventing incidents of fraudulent activities. Although the challenges encountered while conducting the study were numerous, it provided the researcher with valuable techniques and approaches to help Churches and their leaders safeguard Church resources and assets.

It is a divine mandate for churches and their leaders to answer to God, to their members, and to their communities. The Bible observes this requirement; the concepts of internal control and task segregation are highlighted in the accounts of King Johoiachin's reign in 2 Kings 24:9–16 and the renovation of the temple in 2 Chronicles 24:11–12..

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Recommendation for Future Research

The study's narrow geographical focus on the Elmina District of the Church of Pentecost is a significant limitation that demands expansion. Future research must broaden its scope to encompass the entire Church of Pentecost in Ghana, as well as other Christian denominations nationwide, such as the Methodist Church and orthodox churches. This expanded research is crucial for enhancing the generalizability of findings, providing valuable insights into internal control mechanisms in diverse church settings, and informing best practices for financial management and governance in religious organizations.

To advance knowledge in this field, researchers must prioritize comparative analyses across regions and denominations, investigating internal control effectiveness and its impact on church financial performance.

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APPENDIX

RESEARCH QUESTIONNAIRE

Dear Respondent

I am a student pursuing Master of Business Administration (Accounting) at the University of Cape Coast currently undertaking dissertation. My current dissertation focuses on the Finances of Non-Profit Organizations: A Case Study of the Church of Pentecost in the KEEA District. I would be grateful if you could answer the following questions to enable me to achieve the research objectives. This questionnaire has been designed purely for academic purpose. You are however assured that information provided to complete this study will be treated with the strictest confidentiality.

Kind regards

INSTRUCTION: Please tick [√] where alternative answers have been provided and write the answer where necessary.

SECTION A – PERSONAL INFORMATION

1. Gender: Female   [ ]   Male   [ ]

2. Age: a. 20 – 29   [ ]   b. 30 – 39   [ ]   c. 40 – 49   [ ]

               d. 50 – 59   [ ]   e. 60 and above   [ ]

3. Qualification(s):   Degree [ ]   HND/Diploma   [ ]   MBA[ ]

                         PhD   [ ]   Others: Specify…………………

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4. What is your rank in the organization?

    a) Minister   [   ]

    b) Steward   [   ]

5.   Active years in service with the church:

    a) 1 – 5[   ]   b) 6 – 10   [   ]   c) 11 – 15   [   ]

    d) 16 and above   [   ]

SECTION B – INTERNAL CONTROL SYSTEM OF THE CHURCH

6. Are you familiar with the church's internal control system?

    a) Yes   [   ]

    b) No   [   ]

7. Do seminars, workshops, and refresher courses typically constitute your regular training?

    a)   Yes   [   ]

    b)   No   [   ]

8. How much do you know about the advantages of an internal control system?

    a) High   [   ]   b) Low   [   ]   c) Average   [   ]

9. Issues with internal controls must to be shared with every member?

    a) In favour   [   ]   b) Not in favour   [   ]

10. How are concerns about internal controls communicated?

    a) Memos [   ]   b) Staff Meeting   [   ]   c) Verbal   [   ]

    c) Not communicated   [   ]

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11. Which kind of internal control measures are in place?

a) Preventive measure   [   ]   b) Corrective measure [   ]

c) Detective measure   [   ]

12. How successful and productive is the internal audit division?

a) Excellent   [   ]   b) Very good [   ]   c) Good   [   ]

d) Average   [   ]   e) Bad   [   ]

13. Who authorizes or approves all documents that are presented to the church?

a) The Finance Officers   [   ]

b) The Presiding Elders   [   ]

c) The Account Clerks   [   ]

d) The Pastors/Apostles   [   ]

e) It depends on the type of document   [   ]

SECTION C – INTERNAL CONTROL MECHANISMS

	S.A	A	N	S.D	D
14. The Church's inventory requests are subject to the appropriate authorization processes.					
15. The Church's assets are being listed and compared to the assets register.					

16. All employees have access to the warehouse, which houses the materials and assets (inventory).					
17. Staff and management personnel have designated positions that are accountable for particular tasks.					
18. The Church has an effective computer-based information system.					
19. There are sufficient mechanisms in place to keep an eye on and evaluate the execution of protocols and internal controls.					

20. What are the primary obstacles to the church's internal controls being used effectively?

………………………………………………………………………………

………………………………………………………………………………

………………………………………………………………………………

21. If you have any other concerns about the Church's internal control system? Please kindly provide.

………………………………………………………………………………

………………………………………………………………………………

Thank you

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