

## THESIS ABSTRACT

Master of Business Administration  
Finance Option

Adventist University of Africa

School of Postgraduate Studies

**TITLE: INVESTIGATION OF THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS WITHIN THE THREE MISSIONS OF THE SEVENTH-DAY ADVENTIST CHURCH, SIERRA LEONE**

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Date completed: March 2018

The Seventh-day Adventist Church in Sierra Leone has existed for well over a century. However, progress in terms of membership growth and infrastructural development is less than satisfactory. This may be due to the way the Church leadership handles its human and financial resources. There are several evidences indicating weak control systems that can negatively affect the Church. These evidences included the lack of local church audits, absence of trainings for church workers, and the other mission stations have not been audited by General Conference Auditing Service (GCAS) at all since they were opened. Therefore, there was the need for an investigation of the effectiveness of internal control systems within the three missions of the Seventh-day Adventist Church in Sierra Leone.

Data was collected from selected churches through the use of a questionnaire. One hundred and two (102) questionnaires were retrieved. Statistical Package for

Social Science (SPSS) was used to generate percentages, frequencies, means, standard deviations, Pearson correlation, and multiple regression analysis to analyze data.

The study generally found internal control elements to be in place but less than adequate at the Seventh-day Adventist Church in Sierra Leone. The study also found a significant positive relationship between monitoring & evaluation, control activities, leadership commitment and effective control systems. There was a moderate positive relationship between risk assessment and effective control system. Control environment and information and communication were not found to be related to effective control system. Also risk assessment and leadership commitment were significant predictors of effective control system.

The study recommends that training is needed for church workers, and annual church audits are necessary for all SDA Churches in Sierra Leone. The Church leaders also need to improve on all the elements of internal control to enhance their proper functioning.

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INVESTIGATION OF THE EFFECTIVENESS OF INTERNAL CONTROL  
SYSTEMS WITHIN THE THREE MISSIONS OF THE SEVENTH-DAY  
ADVENTIST CHURCH, SIERRA LEONE

A thesis

presented in partial fulfillment  
of the requirements for the degree  
Master of Business Administration

by

Sieh Kamara

April 2018



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SYSTEMS WITHIN THE THREE MISSIONS OF THE SEVENTH-DAY  
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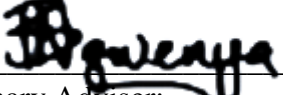
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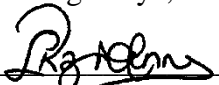
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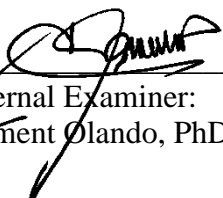
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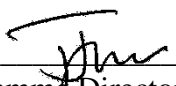
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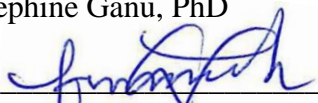
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This work is dedicated with love to my dear wife, Madie,  
and my precious daughters, Grace and Joy,  
for their love, support, encouragement and great understanding during this study.

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## LIST OF ABBREVIATIONS

SLM	Sierra Leone Mission
NEMS	North East Mission Station
SEMS	South East Mission Station
GCAS	General Conference Auditing Service
SDA	Seventh-day Adventist

## ACKNOWLEDGEMENTS

I thank my Lord and Savior Jesus Christ whose death on the Cross has given me eternal hope. He has also blessed me with material blessings and granted me favor which has made me to undertake this grate venture.

I also extend my sincere and heart felt appreciation to Professor Josephine Ganu, PhD—Program Director MBA Program, Adventist University of Africa—for her enduring concern and commitment in guiding me through to the finish line of this research process.

I am also extending my appreciation to my Research Adviser, Bongani Ngwenya, PhD—Post-Doctoral Research Fellow University of KwaZulu-Natal Westville Campus Durban, South Africa—for his patient guidance and understanding in leading me through to the completion of this study.

My next appreciation goes to my second Adviser, Professor Marie-Anne Razafiarivony, PhD, of the Adventist University of Africa whose comments, guidance and instructions have helped me during my research.

I am also indebted to my dear wife, Madie, for her love, patience and understanding during this study. She has always encouraged me to work hard to complete this study. I also want to acknowledge my two daughters, Grace and Joy, for allowing me to take part of the time I needed to be with them and using it in my study. I want to extend my appreciation also to my friends and classmates, Emmanuel Afriyie, Kumasi Ghana, Almamy Conteh and John Sesay, Freetown Sierra Leone, for their support and encouragement during this study.

Last but not the least, I am extending my heartfelt appreciation to my colleagues and pastors of the SDA Church Sierra Leone. Pastor Edward Kamara assisted me greatly in collecting data, Brother Abass Conteh and Pastor Foday Sellu took great care of me when I travelled to the NEMS and SEMS to collect data. Umu K Turay has also been of great help in the office especially in helping with computer challenges.

# CHAPTER 1

## INTRODUCTION

### **Background of the Study**

We live in an age in which many people suffer from defective moral characters across the globe. One of the greatest challenges of organizations (religious and non-religious alike) is how to deal with this growing threat. The collapse of the US energy giant Enron, the fraud case of WorldCom and other corruption scandals in many churches around the World are proofs of the destructive nature of a defective moral character (Abiola & Oyewole, 2013) and (Tamui, Omare, & Bitange, 2016). In dealing with risks, many churches today employ the concept of effective internal control in their governance system (Länsiluoto, Jokipii, & Eklund, 2016).

The concept is gaining more attention in churches due to the need of safeguarding of church assets and enhancing effectiveness and efficiency of church operations (Tamui, Omare, & Bitange, 2016) and (Mihaela & Iulian, 2012). “The concept of internal control has also grown to include; setting ethical principles and strategic objectives, identifying risks, hiring good employees, motivating them to achieve the institution’s objectives, and providing the resources and information they need to fulfill those objectives” (Phillips, Libby & Libby, 2008, p. 238). As such, (church leaders) need to be aware that effective internal control is a management tool that should be considered as a financial asset (Pathak, 2005).

A sound system of internal control has the potential to create a competitive advantage for a church organization. On the other hand, the costs associated with a weak internal control system can be huge, difficult to quantify and can negatively impact an entity's ability to compete well in the society where it operates (Ahiabor & Mensah, 2013, Abiola & Oyewole, 2013). The ever increasing risks for all kinds of organizations particularly in the area of finance of churches (Ahiabor & Mensah, 2013) call for churches leaders to intensify their internal control systems. Nonprofit organizations, especially religious organizations need to take the issue of internal control very serious (Fonfeder, Holtzman, & Maccarrone, 2003). These people further stated that, a strong system of internal control in a religious organization is not only capable of creating confidence among the members, but also promotes adherent to religious beliefs, and makes it difficult for fraudulent activities to be carried out. In the case where they happen, it can more easily be detected and addressed as soon as possible (Patterson & Smith, 2007). Dishonest leaders may find ways to override the system of internal control, because they think that the benefits derived from a weak system are far enriching to them than having the benefits of an effective internal control system. Such leaders will be able to operate mostly in situations where board or committee members are ineffective.

The SDA Church is an international organization that operates in many countries across the globe. The Church generates revenue mainly through the collection of tithe and offerings from its members. This fund is managed by elected church officers and reported through the church's hierarchical structure, starting from the local church of each country right through the General Conference of the Seventh-day Adventist Church in the United States. However, "Since the late 1970s, the Seventh-day Adventist denomination has been buffeted by a concatenation of

corporate church financial scandals that have resulted in an unnecessary loss of hundreds of millions of dollars” (Hackleman, 2008, P.3).

### **Statement of the Problem**

The Seventh-day Adventist Church in Sierra Leone has existed for well over a century now. However, there is minimal progress in terms of membership growth and infrastructural development in the country especially when compared with other countries in West Africa. This may be the consequence of the way the Church leadership handles its human and financial resources. There are several evidences indicating weak control systems that can negatively affect the Church. These evidences include the lack of local church audits; absence of trainings for new treasurers and other church workers that have been elected into office to carry on with their new assignment. This then results in some financial reports from the local churches wrongly prepared and late reporting. Significant internal control problems can create distrust for the leadership of the church and even a split of the church. Worst of all, the society may view the Christian faith with suspicious eyes, reducing its credibility (Keller & Owens, 2015).

A strong system of internal control in a religious organization is capable of creating confidence among the members, promotes adherent to religious beliefs, and makes it difficult for fraudulent activities to be carried out (Holtzman & Maccarrone, 2003). Failure in addressing these weaknesses in the SDA Church Sierra Leone can erode the confidence of members and resulted in decline of church membership. Also, the workforce will be affected because of low wages and salaries as some workers may leave the job for better paid jobs and it may become difficult for the church to attract good employees. Therefore, there was the need for an investigation of the

effectiveness of internal control systems within the three missions of the Seventh-day Adventist Church in Sierra Leone.

### **Research Questions**

1. To what extent are internal control elements in place at the SDA Church in Sierra Leone? In terms of;
  - The control environment
  - Risk assessment
  - Control activities
  - Information and communication
  - Monitoring and Evaluation
2. Was there any significant relationship between
  - Control environment and effective control system?
  - Risk assessment and effective control system?
  - Control activity and effective control system?
  - Information and communication and effective control system?
  - Monitoring and evaluation and effective control systems?
  - Leadership commitment and effective control systems?
3. Which of the following internal control elements have a significant predictive effect on effective internal control system?
  - Control environment
  - Risk assessment
  - Control activities
  - Information and communication
  - Monitoring and evaluation



- Leadership commitment

### **Null Hypotheses**

1. H<sub>0</sub>: Is there no significant relationship between
  - a. Control environment and effective control system?
  - b. Risk assessment and effective control system?
  - c. Control activities and effective control system?
  - d. Information and communication and effective control system?
  - e. Monitoring and evaluation and effective control systems?
2. The following internal control elements do not have any significant predictive effect on effective internal control system?
  - a. Control environment
  - b. Risk assessment
  - c. Control activities
  - d. Information and communication
  - e. Monitoring and evaluation
  - f. Leadership commitment

### **Conceptual Framework of the Study**

The variables in the conceptual framework shown in Figure 1 are categorized into two groups; independent variables and dependent variables. The independent variables are the elements of internal controls which includes; control environment, risk assessment, control activities, information and communication, monitoring and evaluation and Leadership Commitment. The last group is the effectiveness of internal control and contains the dependent variables which are reliable financial statement, effectiveness & efficiency of operations, and policy compliance.

Control environment is the attitude, awareness, and actions of the church boards, administrative committees and executive committees and others about the importance of control. This includes integrity and ethical rules, commitment to competence, board or audit committee participation, organizational structure, assignment of authority and responsibility, and human resource policies and practices.

A control activity means policies and procedures applied by the church leaders in protecting church assets. Risk assessment is the identification evaluation, and estimation of the level of risks involved in a given situation. Information and communication refers to both financial and non-financial information flowing throughout the church organization. Monitoring and evaluation means on going function by the church leadership that provides information about progress or lack in the achievement of the church mission statement. Also, leadership commitment refers to church boards and administrative committees; they are to take actions in ensuring compliance with internal control policies to achieve the overall objectives of the church.

Reliable financial statements mean that the financial data of the church is not misleading and it is free from errors and fraud. Effectiveness includes the actual output, attaining the desired output or end goal. For local churches effectiveness is achieved when baptismal goals are met and financial goals are met. For mission effectiveness is achieved when financial and nonfinancial reports are prepared within time and comply with laid down rules. Efficiency means doing things in the right manner, getting maximum results with the minimum resources. When local churches achieve their baptismal and financial goals with minimum resources then they are efficient. When the mission achieves its goals for the year despite budget constraints,

then the mission is being efficient in the use of its resources. Policy compliance means adherence to internal control rules, regulations, and procedures.

The conceptual frame work thus establishes the relationships among the variables as follows: The greater the proper functioning of the elements of internal control the greater the probability of achieving reliable financial statement, efficiency and effectiveness of operations, and policy compliance.

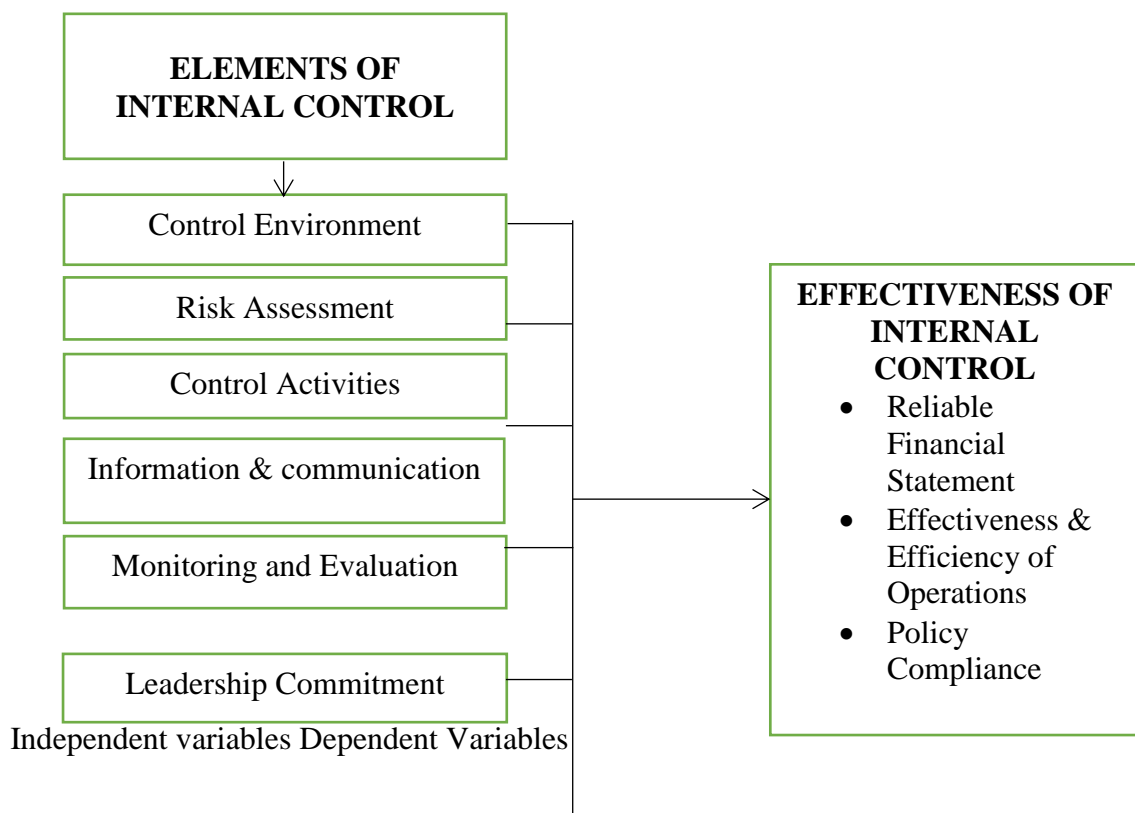


Figure 1. Conceptual Framework of the Study

Source: Adapted and modified from Ntongo (2012)

### **Significance of the Study**

Significant financial frauds can disrupt normal church operations, distrust for the leadership of the church and even a split of the church. Worst of all, the society may view the Christian faith with suspicious eyes, reducing its credibility (Keller & Owens, 2015). This study, therefore, seeks to examine the internal control systems in the Seventh-day Adventist Church Sierra Leone and to identify the strengths and weaknesses in the various churches, and how they affect the viability of the Church. Such findings will provide guidelines for the leadership of the Church to strengthen its control measures.

By implementing the recommendations from this research, the resources of the Church will be protected against mismanagement, fraud, abuse, and the missions and local churches will be able to perform effectively and efficiently. This study will help the missions and local churches to achieve their strategic objectives and avoid or minimize pitfalls, and unexpected surprises along the way. Also, strict adherence to internal control policies will be beneficial to state authorities in the sense that the church leaders will comply with state rules and regulations. Finally, since this study adds to the body of knowledge already in existence, academicians, scholars, and researchers will be able to consult this study to provide answers for their quest for knowledge.

### **Scope of the Study**

This study investigated the effectiveness of internal control systems within the three missions of the Seventh-day Adventist Church in Sierra Leone. Missions' workers, pastors, first elders, church treasurers and their associates church boards, and committee members in the SDA Church Sierra Leone were the target population and 68.7% of the sample was covered by the study.

### **Limitation of the Study**

There are three SDA Missions in Sierra Leone. These include Sierra Leone Mission, South East Mission Station, and North East Mission Station. This study covered only these three missions in Sierra Leone. Another challenge to the study was that one administrative committee did not provide time for the focus group interview. Also one respondent did not fill the questionnaire properly and therefore it was not included in the analyses. Also, distribution and collection of data across the SDA Churches were challenging and to minimize this, third parties were used to assist in the process.

### **Operational Definition of Terms**

**Control environment:** This refers to the attitude, awareness, and actions of the church board, missions' executive committees and administrators about the importance of the Church internal control systems. This includes integrity and ethical rules, commitment to competence, board or audit committee participation, organizational structure, assignment of authority and responsibility, and human resource policies and practices.

**Control activities:** This means policies and procedures applied at both local church and mission level by the church leadership in protecting assets.

**Risk assessment** is the identification evaluation, and estimation of the level of risks involved in the SDA Church Sierra Leone.

**Information and communication** refers to both financial and non-financial information flowing throughout the Church at both mission and local church level.

**Monitoring and evaluation** means on going function that provides information about progress or lack in the achievement of the Mission Statement of the SDA Church in Sierra Leone.

**Leadership commitment:** Leadership include administrators for each mission, and church board for each local church their attitude in ensuring compliance with internal control policies to achieve desired results.

**Reliable financial statements** mean that the financial data from the missions and churches are not misleading and are free from errors and fraud.

**Effectiveness:** Actual output, attaining the desired output or end goal. For local churches effectiveness is achieved when baptismal goals are met and financial goals are met. For mission effectiveness is achieved when financial and nonfinancial reports are prepared within time and comply with laid down rules.

**Efficiency** means doing things in the right manner, getting maximum results with the minimum resources. When local churches achieve their baptismal and financial goals with minimum resources then they are efficient. When the mission achieves its goals for the year despite budget constraints, then the mission is being efficient in the use of its resources.

**Policy compliance** means adherence to internal control rules, regulations that have been established by the church leadership.

**Church Treasurer:** The officer who controls or is in charge of local church funds. The treasurer normally signs checks and is responsible for cash management.

**Mission Treasurer** is the officer who is in charge of the funds in the mission. This person authorizes expenses and manages the mission funds.

**Associate church treasurer** this person assist the treasurer in all financial matters of the local church.

**Elder:** A church leader in charge of a local church for a given period of time

**Pastors:** An employee of the mission with assigned responsibility to preach and coordinate the activities of local church/churches. The pastor reports to the mission and the church board.

**Mission** is the SDA institution that coordinates the activities of the local churches in a given geographical area. The mission administration reports to the Executive committee and to the Union.

**Church Leadership** this include church boards, administrative committees, and executive committees.

## CHAPTER 2

### REVIEW OF LITERATURE

This chapter examines the existing literature on the subject of internal control, and provides a link on how the various components of internal control are related to effective internal control. The chapter begins with an Introduction and then discusses in detail; Internal Control, Elements of internal Control, Control Environment, Risk Assessment, Control Activities, Information and Communication, Monitoring and Evaluations, Leadership commitment, Effective internal control which includes Reliable Financial Statements, Efficiency & Effectiveness of Operations, Policy Compliance, Importance of Internal Control, and the chapter ends with the Limitations of Internal Control.

#### **Internal Control**

“Internal control is a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting and compliance with applicable laws and regulations” COSO as cited by (Tunji, 2013, p. 2). Internal control mechanisms need to include the plans, procedures and methods that an organization will use in achieving its mission, goals and objectives, and thereby supporting performance base management. INTOSAI (2001) stated that, internal control mechanisms should be a dynamic process that constantly adapt to the changes the organizations go through. Employees at all levels of an organization need to be involved in effecting the internal



control mechanisms for the program to succeed. In a church setting, the church leadership should design the process, and the process should pass down the church structure. Their definitions also further clarify the objectives to include reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations within the *SDA Accounting Manual* (2008).

Internal control mechanisms should be designed in such a way that it has the capacity to identify the factors that causes risks, that threatens the achievement of an organization's objectives. Organizations adopting internal control procedures do not only benefit from the achievement of their objectives, but also gain credibility from the eyes of all the stakeholders and the general public as well (Fonfeder et al., 2003). The internal control system needs to be evaluated from time to time. During this process, evaluators should ensure that all the components of internal control are present and function effectively in meeting the strategic objectives of the organization. The evaluation must be initiated by the board of directors and the audit committee, they are to see this as their responsibility and to ensure that the system is adequate and effective (Tunji, 2013).

WHO (2013) in an attempt to improve their operations, provided definition of internal control to be "a process, designed to provide reasonable assurance to WHO's management regarding the achievement of objectives relating to operations, reporting and compliance with applicable laws." The definition is broad and transcends financial objectives and financial controls. It includes program operations, human resources, procurement, travel and safeguarding of their assets. Internal control is a crucial aspect in governing an entity, because its enhances the ability to manage risks and is fundamental in supporting the achievement of an organization's objectives and creating, enhancing, and protecting stakeholder value (International Federation of

Accountant [IFAC], 2012). Although internal control does not provide answers to all the risk factors an organization will face, a well-functioning control mechanism is essential for the continued survival of an enterprise. This is why the governing body needs to ensure that there is a strong mechanism in place to protect the investment.

### **Elements of Internal Control**

Internal control process is historically known to be a mechanism for reducing instances of fraud, misappropriation and errors. It has also become more extensively used in addressing many of the various risks faced by organizations. A sound internal control process is today considered to be critical in enhancing an entity's ability to meet its established goals, and to maintain its financial viability (Gychi & Quain, 2013).

Despite these benefits studies have found that the internal control system existing in many churches today are far from being effective Bowring 2004 as cited by (Ahiabor, & Mensah 2013). Cornell, Johnson, & Schwartz (2013) suggested that some professional clergy have the tendency to negatively affect the deployment of internal control. However, the presence of some parties, especially a financial expert on the board of directors in a church institution may have a positive impact on the level of internal controls in a church. Also, studies have found that pastors consistently trust their employees in managing church finances. These studies further claimed that 63 percent of those pastors rely more heavily on the concept of trust than on deployment of sound internal control.

We are going to examine the five standards or elements of internal control that are essential for the sound management of finance of organizations of all types. These standards or elements relate to each other (*SDA Accounting Manual*, 2008). In other words, to achieve the objective of a church or any entity, the control process must

have all the five elements working together in an integrated manner for an internal control program to be successful (GAO, 2014). These elements include:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring and evaluation
6. Leadership Commitment

### **Control Environment**

The control environment is aimed at setting the tone at the top of an organization, by influencing the control consciousness of staff. This should be regarded as the foundation for all other components of internal control, by providing discipline and structure that is needed for an effective internal control process (Dinapoli, 2010; GAO, 2001; *SDA Accounting Manual*, 2008). Environment in this context includes (1) the personal and professional integrity and ethical values of management and staff in addition to a supportive attitude toward internal control at all times throughout the institution; (2) it also includes commitment to competence for all the employees in the organization.; (3) the “tone at the top” should be set by management through their philosophy and operating style (4) organizational structure, and (5) human resource policies and practices are all critical for the control environment, and must be taken in to account. The leadership should adopt a code of conduct and corporate philosophy and operating style throughout the organizational structure. Management and employees should establish and maintain an environment throughout the organization that is committed toward internal control and conscientious management (Dinapoli, 2010; GAO, 2001; Tunji, 2013)

The church board or board of directors is responsible for establishing a sound and effective internal control system for the entity. Also, the board members should be objective in taking decisions, and inquisitive about what management does, and they should possess the expertise in dealing with risks. Leaders of church organizations are to emphasize the importance of integrity and ethical behavior for all employees, which should be communicated through policy writing and by management by example. On average, however, policies are not always followed. Living by example is one of the best ways to influence employees and get them to do what you want them to do (Abiola & Oyewole 2013). The concept of the control environment can be difficult to understand, the control environment is not something you can see or touch. Though one would not find the control environment embedded in a general ledger, or in any group of transactions, or in any financial report, if the control environment is good (or poor), every employee will know it by the way the church or organization is going.

Auditors should be trained in assessing the control environment, because it is a high-level indicator of how seriously the leadership takes its responsibility for internal controls and how well management is meeting this responsibility. It is a highly subjective component of the internal control framework (DiNapoli, 2010).

The rules are to be set by the board of directors or governing committees, and these rules should be communicated to the other employees. Management has the responsibility of translating these rules, and making sure that each employee understands their responsibility to making the control mechanisms a success. Failure at the control environment, lays the foundation for failure at all the other stages or elements of internal control.

## **Risk Assessment**

The second internal control element is risk assessment. Here the first condition to assess risk is to establish goals and objectives at all level and activity. Once the objectives have been set, then the institution needs to identify the risks that will hinder the achievement of the objectives. Risk identification methods may include qualitative and quantitative ranking activities, management conferences, forecasting and strategic planning, and consideration of findings from audits and other assessments (Tunji, 2013). All businesses or institutions face risks; therefore, each institution must take action to address the risk it faces, and that can be done by establishing objectives which will then enable the institution to identify the critical success factors and enforce policies and procedures to ensure that objectives are met. GAO (2001) stated that, once risks have been identified, they should be analyzed for their possible impact on the organization's objectives, and management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations. Effective internal control system requires that the material risks could adversely affect the achievement of objectives, and goals should be set and continually assessed. This assessment should cover all risks facing the institution.

Risk assessment is the process of identifying and analyzing relevant risks impacting the achievement of the church or entity's objectives, and determining the appropriate response. This includes risk evaluation. Estimate how significant the risk is and assess the likelihood of its occurrence. Four types of responses should be taken into consideration. These include transfer, tolerance, treatment, and termination. Of these, risk treatment is considered in this study to be the most relevant of them

because it seeks to prevent the risk from occurring and effective internal control is a major mechanism to treat risk. The appropriate controls involved can be either detective or preventive. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing process. It implies identifying and analyzing altered conditions and opportunities and risks (risk assessment cycle) and modifying internal control to address changing risks (Abiola & Oyewole 2013; *SDA Accounting Manual*, 2008; Tunji, 2013).

WHO (2013) clarified the steps involved in the risk assessment process to include the specification of objectives, identification of risks, assessment of risks, and the response that will be appropriate. The methods available to address risks have been broadly categorized into two: risk control and risk financing. Risk control focuses primarily on reducing the frequency or the severity of the loss, should the risk occur. On the other hand, risk financing seeks for the payment of losses or indemnification should the risk occur (Rejda & Mcnamara, 2014). Effective internal control requires that the risk assessment assess all risks that may affect the entity and mechanisms put in place to prevent or reduce the severity of the risk should it occur.

### **Control Activities**

Control activities is the third element of internal control which focuses on policies, procedures, techniques, and mechanisms, that help ensure that management's directives to mitigate risks identified during the risk assessment process are carried out. Control activities are also an integral part of the agency's planning, implementing, and reviewing to ensure proper stewardship and accountability for organizational resources, and for achieving effective and efficient desired results (GAO, 2001; Karagiorgos, Drogalas & Giovani 2011). Internal controls activities help ensure that management's directives are carried out. The control activities should be

effective and efficient in accomplishing the agency's control objectives. It asks questions such as, who initiates and who approves transactions? Who does performance reviews is each employee meeting his/her responsibilities? Who does information processing whether manual or computerized, work as designed? Who carries out Physical controls? Are assets guarded against loss or unauthorized use? Is there segregation of duties? Are many people practically involved in each record-keeping process (*SDA Accounting Manual, 2008*)?

Control activities are designed and implemented to address the risks that the institutions identified through the risk assessment process described above. Control activities involve two steps: (1) the establishment of control policies and procedures; and (2) verification that the control policies and procedures are being complied with. Control activities must be appropriate, functioning consistently according to plan throughout the period, and be cost effective, comprehensive, reasonable and directly relate to the control objectives. They further stated that control activities occur throughout the organization, at all levels and in all functions. They also support the view that control activity must include a range of detective and preventive mechanisms such as (1) authorization and approval of procedures; (2) segregation of duties (authorizing, processing, recording, reviewing); (3) controls over access to resources and records (4) verifications;(5) reconciliations; (6) reviews of operating performance; (7) reviews of operations, processes and activities; (8) supervision (assigning, reviewing and approving, guidance and training). They concluded that, entities should reach an adequate balance between detective and preventive control activities, and that corrective actions are a necessary complement to control activities in order to achieve the objectives of the organization. (GAO, 2001).

DiNapoli (2010) on the other hand, presented a bit of controversy by arguing that some risks may be so remote or the effects of such risks being so minor that you may decide simply to accept those risks without developing controls to address them. Some risks, if they occur, may be so significant that, even though remote, they need to be limited. For these risks, management may decide to purchase insurance. He concluded that all other risks (and even for risks that are insured), managers should implement controls that will reduce the likelihood of such risks occurring or reduce the impact, if such risks do occur.

Control activities are necessary to eliminate risk as this will enhance the continuity of business. Control activities should be an integral part of the daily activities of an organization. Effective internal control system demands the setting up of appropriate control structure, and that control activities are defined at every business level. These should include: reviews at the top level, controls of different departments, physical controls, checking for compliance, and a system of verification and reconciliation. An effective internal control system requires segregation of duties, and employees should not be given conflicting responsibilities. Besides, areas of potential conflict of interest should be identified and carefully monitored.

### **Information and Communication**

A church or any organization needs both relevant and reliable information in order to be able to effectively control its resources. Both financial and non-financial information need to be recorded so that management and other employees can use it to carry on with the internal control (Adepeju, 2013). In addition, the organization needs to make sure that the forms of communication are broad-based. The fourth element of internal control is basically concerned with information and communication throughout the organization. The *SDA Accounting Manual* (2008)



suggests that, information and communication in this context should basically involve the accounting and financial reporting information system as well as the procedures used to communicate that system to employees and others. Information should include the procedures, records, transactions, even conditions, assets, and liabilities. On the other hand, communication system includes procedures and records that inform employees of their respective roles and responsibilities within the accounting and financial reporting process. In this case, the organization should include information about how employees can report exceptions to appropriate levels of management, and how management can communicate with the employees. Communication for small organizations may be less formal due to fewer levels of management.

Managers and evaluators should consider the appropriateness of information and communication systems to the entity's needs and the degree to which they accomplish the objectives of internal control. GAO (2001) stated that, managers need both operational and financial data to determine whether they are meeting their agencies' strategic and annual performance plans, and meeting their goals for accountability for effective and efficient use of resources. Effective internal control system requires that, there are adequate and comprehensive internal financial, operational and compliance data, as well as external market or competitors information about events and conditions that are relevant to decision making (DiNapoli, 2010).

Karagiorgos et al (2011) reiterated that effective communication should occur in a broad sense with information flowing down, across, and up the organization. To assess the information and communication component, the following factors are used: Quality of information and effectiveness of communication. Management's ability to make appropriate decisions is affected by the quality of information, which implies

that the information should be appropriate, timely, current, accurate and accessible. Communication helps managers in transmitting values, goals, and culture. As part of the information and communication system, managers must inform all employees about their control responsibilities. Also, each employee should be made to understand his or her role in the internal control system, as well as how their roles affect others. The employees also should be able to report to their supervisor problems they encounter while performing their duties (INTOSAI, 2001).

### **Monitoring and Evaluation**

Monitoring and evaluation is the fifth element of internal control. Internal control monitoring should assess the quality of performance over time, and ensure that the findings of audits and other reviews are promptly resolved (GAO, 2001). In considering the extent to which the continued effectiveness of internal control is monitored, both ongoing monitoring activities and separate evaluations of the internal control system, or portions thereof, should be considered. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that managers and supervisors know their responsibilities for internal control, and the need to make control and control monitoring part of their regular operating processes. Internal control systems should be monitored to assess the quality of the system's performance over time. Monitoring is accomplished through routine activities, separate evaluations or a combination of both. Ongoing monitoring of internal control is built into the normal, recurring operating activities of an entity. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. Ongoing monitoring activities cover each of

the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems (INTOSAI, 2001).

Effective internal control can only be achieved through adequate monitoring, as it assesses the quality of control system's performance (Tunji, 2013). Management should not only establish a system of internal control, but they also need to monitor and evaluate the system on a regular basis to ensure that the internal control is achieving the objectives for which it was setup. Ongoing monitoring activities should be built into the normal routine activities, and should include regular management and supervisory activities (*SDA Accounting Manual, 2008*).

WHO (2013) deficiencies in the operation of internal control should be systematically evaluated and reported to those who are responsible for taking corrective action. Appropriate corrective actions are taken in a timely manner to address the reported deficiencies. There should be an ongoing internal audit of the internal control system which shall be carried out by trained and competent staff.

### **Leadership Commitment**

Leadership commitment is an essential component of internal control. One of the greatest misconceptions prevailing among many church leaders is the belief that internal control is a program set up to detect and correct fraud. Hence, it prevents most of those leaders from implementing a sound internal control system because they do not want to be seen or appear untrusting (Ahiabor & Mensah, 2013). Another challenge many church leaders face is that they may not be trained in accounting and finance yet they will have to carry on with the book keeping and accounting practices of their churches (Cornell, Johnson, & Schwartz 2013). These are serious concerns that call for the immediate response of all church leaders. Reports from Status Global Mission and Center for the Study of Global Christianity that Christians worldwide

will commit more than \$ 37 billion in church related financial fraud during the year 2013 (Tanui, Omare, & Bitange, 2016).

Contrary to these beliefs of many church leaders internal control serves two basic purpose detecting fraud and errors (Myres 2012). As such church leaders must be concerned with the financial management of their church by making it a priority to protect the human and financial resources of their church. Apart of setting proper internal control systems, Leadership calls for extreme ethical behavior, honesty, and reliability. The leadership commitment is the exemplary character leaders demonstrate that set the tone at the top through of the church organization, by influencing the control consciousness of staff. This provides discipline and structure that is needed for an effective internal control process (Dinapoli, 2010; GAO, 2001; *SDA Accounting Manual*, 2008). The leadership attitude should include (1) the personal and professional integrity and ethical values of management and staff in addition to a supportive attitude toward internal control at all times throughout the institution; (2) it also includes commitment to competence for all the employees in the organization; (3) the “tone at the top” should be set by the leadership through their philosophy and operating style (4) organizational structure, and (5) human resource policies and practices. The leadership should adopt a code of conduct and corporate philosophy and operating style throughout the organizational structure that is committed toward internal control and conscientious management (Dinapoli 2010; GAO, 2001; Tunji, 2013). Leadership commitment is needed to establish and guide an integrated internal control framework in the church. Leadership sets the tone at the top by conducting business in an honest and ethical manner and provides accountability at all levels in the church (DiNapoli, 2010).

## **Effective Internal Control Systems**

Several studies have found that the internal control system existing in many churches are far from being effective Bowring 2004 as cited by (Ahiabor, & Mensah, 2013). Cornell, Johnson, & Schwartz (2013) suggested that some professional clergy have the tendency to negatively affect the deployment of internal control. However, the presence of some parties, especially a financial expert on the board of directors in a church institution may have a positive impact on the level of internal controls in a church. Several studies have found that pastors consistently trust their employees in managing church finances. These studies further stated that 63 percent of those pastors rely more heavily on the concept of trust than on deployment of effective internal controls. To exercise sound accounting management practices; consequently, other parties need to be involved in church financial governance to ensure that funds are accounted for and used properly.

Leaders of churches need to be aware that the stewardship of both liquid and fixed assets of their churches is a sacred/spiritual responsibility given to them by God. As such, they need to implement proper internal control systems that can lead to effective and efficient church operations (Ahiabor & Mensah, 2013). To understand the relationship between element of internal control and effective internal control systems, this study has brought together three factors considered essential in this study for the achievement of effective internal control system in a church setting. These factors include: Reliable Financial statements, Effectiveness and efficiency of operations, and Policy Compliance.

### **Reliable Financial Statement**

The concept of reliable financial statement is very important for users of financial statements. This is because misleading financial information or fraud in

financial statement is a serious threat to fair competition and users of financial statements. This problem has cost more than \$ 500 billion in the past few years and has affected market participants like investors, creditors, pensioners, and employees in a negative way (Rezaee, 2002). The collapse of the US energy giant Enron, the fraud case of WorldCom, and many other corruption scandals in churches and other organizations are proofs for the need for church leaders to put effective control systems (Tamui, Omare, & Bitange, 2016). The corruption that has prevailed in many states and governments around the world has found its way in churches and other religious organizations. Leaders of churches need to realize that ethics and governance are vital for the Church because it acts as the role model for others to follow (Abiola & Oyewole, 2013).

Reliability can be assured when financial statements are prepared in a way that ensures adherence to accounting standards, ethical practices, internal controls, external controls, and cooperate governance (Abdullah, Almsafir, & Al-Smadi, 2015). High-quality in financial reporting is critical as it minimizes the risks faced by users of financial statements. Leaders need to put all the mechanisms needed to enhance reliability of financial statements in other to protect the interest of all market participants.

To bring ethics and governance in the accounting and finance of churches, frequent reconciliation of bank statements related to tithes and offerings must be instituted to avoid any vacuum created for people to take undue advantage to pilfer church funds and the need to have a purchase order that should be used to control church purchases and advanced payments to ensure transparency. This enables on going management review and control of church organizations finances. Financial reports provide the vital information needed to plan, budget and control church

finances. In event of resourcing crisis, accounting is relied on to provide information about the existence of such crisis so that action could be taken to overcome it (Irvine, 2005) as cited by (Ahiabor & Mensah 2013). Also, those in charge of church funds must be encouraged to frequently provide reports to a committee and periodic audit conducted. The Oklahoma United Methodist Foundation (n.d.) has one of the best structures in handling church finance. The foundation segregates the duties of financial matters among the following groups:

- The Pastor
- The Committee on Finance
- The Financial Secretary
- The Treasurer
- The Trustees
- The Ministry Group on Stewardship
- The Endowment Committee

When these parties function properly that will create an atmosphere of trust and stakeholders will be able to certify with some degree that the financial statements are reliable.

### **Efficiency and Effectiveness of Operations**

The concept of effective internal control system is critical in ensuring effectiveness and efficiency of church operations. The internal control system of an entity is strictly connected to the structure used by management of the entity to oversee the activities of the organization, or to what is defined as the entity's corporate governance. Internal Controls help safeguard funds, provide efficient and effective managing of assets, and ensure precise and accurate financial accounting thereby enhancing the performance of the entity (Ahiabor & Mensah. 2013).

To arrive at efficient and effective operations of a church, the committee on finance needs to provide financial direction for the church. One of the important tasks of the committee is to manage and guide the financial health of the congregation. The congregation must have a sense of direction, a plan to improve financial stewardship, and a way to monitor the ongoing finances of the church (The Oklahoma United Methodist Foundation, n.d.).

In our current dispensation, the Church cannot afford to be reactive but remain proactive in managing its finances above reproach. In other words, there should not be a hint that the Church' finances are not managed properly. This is because the Church by nature is supposed to be playing a major role in the quest for transparency and accountability in our society today. Besides, the congregations want an assurance from the leadership that monies that they give sacrificially to the Church as their tithes and offerings are used prudently. (Shaibu, 2013)

Also suggested that since tithes and offerings can be described as an engine that propels the growth and sustenance of the global Church generally, the SDA Church Sierra Leone in particular, need to employ, adopt, as well as implement prudent measures that would lead to the effective and efficient management of tithes and offerings in order to improve its operational effectiveness and efficiency.

### **Policy Compliance**

The leadership of the church has the responsibility first to comply with and follow the correct processes and procedures of the organization and second to ensure that the other employees do the same thing. Failure to do so can result to serious consequences such as theft, embezzlement, wastages, errors and expensive tribunals.

In ensuring compliance to internal control rules, the church leaders need to be aware that employees have the tendency to focus on certain' areas of their organizations' rules and ignore other important issues unless there are follow up audits to ensure ongoing compliance, it is quite possible for some items to fall out of



compliance. Continual measurement and reporting will aid in raising awareness to any areas that need address (James, 2010). In other to make a policy workable in practice, the leadership has to ensure that the necessary information is provided to the employees. Failure to communicate well the policy can lead to compliance problems and therefore the system of control will become ineffective (\*OECD, 2000)

The church leadership also need to know that some employees or church workers have the tendency to always break policies even when the policies appears to be in their self-interest. For instance, people continue to smoke, even in countries where there are well-organized anti-smoking programs, including ghastly pictures on cigarette packages prominently displaying the ill effects of smoking (Weaver, 2009). Furthermore, the church leadership has to put emphasis on preventing individuals from converting church properties into private or personal properties.

The leadership of the church needs to be aware that people who claim to be spiritual can sometime commit criminal acts. Therefore, there should be rules and regulations that aim at combating criminal acts in the church and such laws should be enforced. According to Smith (1982), as cited by Tamui, Omare, & Bitange (2016) in *Africa and beyond*, financial scandals have been rampant in the church and even the people who claim to be highly spiritual have been implicated in such scandals. Therefore, the church leadership has to put compliance systems in place to ensure that each church worker complies with internal control rules.

### **Importance of Internal Control**

Internal control is an important aspect of an organization's governance system, particularly in handling risks and as well as achieving the organization's objectives. The awareness for the need to integrate risk management and internal control systems

is gaining momentum, but the tools and guidance to develop and implement a genuinely integrated system rarely exist (IFAC, 2012).

Losses through wastages, fraud, and embezzlement by employees at all levels of an organization, contribute significantly to cost pressure of an entity. It is therefore mandatory for an organization to carry out an effective and efficient internal control, to prevent or minimize the occurrence of such losses. A sound system of internal control contributes to safeguarding the shareholders' investment and the company's assets (National Open University of Nigeria, n.d.). Internal Control facilitates the efficiency and effectiveness of internal and external reporting, and assets compliance with laws and regulations. It also enhances effective financial control through proper accounting, records and also ensure that the organization is not unnecessarily exposed to avoidable financial risks, and the financial information used within the business and for external publications is reliable (Krishnan, 2005; NOUN, n.d.). They also contribute to the safeguarding of assets, including the prevention and detection of fraud. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the organization is exposed.

WHO (2013) effective internal control promote orderly, economical, efficient and effective operations and use of the organization's resources. It also ensures that an organization's operations are consistent with its mission. A sound system of control will safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud. It will promote adherence to statutes, regulations, policies and procedures, and ethical values, and Identify risks and develop effective strategies and procedures to control or manage them. Fonfeder et al. (2003) said that controls not only protect stakeholders' property, but also protect the integrity and credibility of those entrusted with stakeholders' property.

Internal control reduces manager's opportunities to manipulate financial reports or to commit fraud. Internal control is positively related to profit, it also help investors to mitigate the moral hazard costs resulting from fraud and manipulated reports (Cassar & Gerakos, 2010). Research has also shown that markets characterized by better control systems are more likely to be effective. Furthermore, better internal control leads the market to trust the earnings announcements more (Marinovic, 2013).

### **Limitation of Internal Control**

A system of internal control does have limitations. Internal control provides reasonable but not absolute assurance regarding the achievement of organizational objectives. One of such limitations is costs-benefits relationships. When instituting internal control measures, it is important to compare the costs of specific control measures with the potential benefits of setting up such systems. Some control measures may be too costly to implement when compared with others that produce similar results. It is advisable to choose control mechanisms that are less costly but produces desirable results (DiNapoli, 2010)

Another limitation of internal control is the possibility that two or more employees might collude to defraud the system. Control mechanisms are put in place so that one employee checks the job of another employee, but if such people decide to compromise in order to cheat the system, then the mechanism cannot easily prevent them. The fraud may take time to be discovered if it involves management because they possess the capacity to hide information for a relatively longer period than other employees (DiNapoli, 2010).

The next possible limitation of internal control is the probability that management will override the system. By the nature of their authority, they may

decide to by-pass or ignore internal control at any time. The bottom line, however, is that hiring and promoting managers with good character and high ethical values can go a long way in building a positive control environment, and diminishing the risk of management override of controls (DiNapoli, 2010). Internal control cannot change an inherently poor manager or character flawed person into a good one.

Other issues affecting internal control include shifts in government policy or programs, demographic or economic conditions are typically beyond management's control, and may require managers to re-design controls or adjust the level of acceptable risk in order to cope with such changing circumstances (INTOSAI, 2001).

The next factor worthy of considering with respect to limitation of internal control is the pressure exerted from within and outside the organization, which can influence the integrity and competence of staff. Too much of workload, stress and difficult supervisors or managers can cause employees to commit errors, exhibit poor judgment, misinterpretations, misunderstanding. Other issues include carelessness and fatigue or distraction that can undermine the effective operation of internal controls (NOUN).

## CHAPTER 3

### METHODOLOGY

This chapter discusses the approaches that were used for this research study. The chapter begins with the research design, the Study Population, Sample and Sample Size, Instrument for Data Collection, Validity and Reliability of Instrument, Ethical consideration, Data Collection Procedure, and ends with Method of Data Analyses.

#### **Research Design**

A causal study survey design was employed in this study to tests whether the independent variables caused a change on the dependent variables (Sekaran & Bougie, 2013). This enabled the researcher to understand how the independent variables affected the dependents variables.

#### **The Study Population**

There were three missions for the Seventh-day Adventist Church in Sierra Leone which were Sierra Leone Mission (SLM), North East Mission Station (NEMS), and South East Mission Station (SEMS). The target population for this study was the treasurers, associate treasurers, first elders, pastors, administrative committees, church boards, and staff working in all the missions in Sierra Leone.

SLM had ten organized churches, one Administrative committee which consists of the SLM President, SLM Executive Secretary, and SLM Treasurer. Each of the ten churches in the SLM had a church board, church treasurer, associate church

treasurer, and first elder (church elder for the year). SLM also had six pastors and fifteen staffs working in the mission in different capacities.

The NEMS had twenty five organized churches one Administrative Committee consisting of the Director, Executive Secretary, and Treasurer of that Mission Station. The NEMS also had twenty five organized churches and therefore twenty five church boards, twenty five church treasurers, twenty five associate church treasurers, twelve pastors and three other mission workers.

The SEMS had twelve organized churches and one Administrative committee consisting of the Director, Executive Secretary, and Treasurer of the station. SEMS had twelve church boards, twelve church treasurers, twelve associate church treasurers and twelve first elders. The Station had nine pastors and four other workers working in the Station in different capacities. The population for this study was 190 individuals as illustrated in Table 1 below.

*Table 1. Target Population of the Study*

Description	SLM	NEMS	SEMS	Total population
Church treasurers	10	25	12	47
Associate church treasurers	10	25	12	47
First elders	10	25	12	47
Pastors	6	12	9	27
Missions staff	15	3	4	22
Total population				190

### **Sampling and Sample Size**

Stratified random sampling was used because there were identifiable subgroups of elements within the population that had different parameters on the variables of interest in the research. The sample size of 127 was appropriate for a

population of 190 (Krejcie and Morgan, 1970) as cited by (Sekaran & Bougie, 2013).

This is illustrated in Table 2 below.

*Table 2. Sample Size for the Study*

Description	SLM	NEMS	SEMS	Total Sample Size
Church treasurers	10	10	6	26
Associate church treasurers	10	10	6	26
First elders	10	10	6	26
Pastors	6	12	9	27
Missions staff	15	3	4	22
Total population				127

Two out of the three administrators were interviewed. The other administrators gave their consent for interview but never provided the time for that interview. All the four church boards were interviewed. Also, out of the sample size of 127 questionnaires distributed across the SDA Church in Sierra Leone only 103 were retrieved back but only 102 were good for analyses. The remaining 24 were not retrieved because some of those respondents keep promising to fill them but never did that others were in the villages very far and could not be contacted by phone.

### **Instrument for Data Collection**

A survey questionnaire was the instrument that was used for this study. The questionnaire consisted of three major parts; the first part was the demographic information of the respondents. The second part contained structured or closed ended questions, and the final part contained few open-ended questions. For the structured questions, respondents were required to tick what they think best apply to each question in the closed ended section, while in the open-ended questions; respondents were required to express what they think in writing. Part of the questions in the questionnaire were adapted from the (*SDA Accounting Manual, 2008*), Part were also

adopted from (Ntongo, 2012), and the other questions in the questionnaire were developed by the researcher.

The 5-point Likert scale used to measure the research constructs serves as the basis of interpretation of the results presented in Chapter four.

*Table 3. Likert Scale Rating and Interpretation*

Scale	Responses	Mean Interval	Interpretation of Scale
1.	Strongly Disagree	0.01 to 1.00	Poor
2.	Disagree	1.01 to 2.00	Fair
3.	Neutral	2.01 to 3.00	Average
4.	Agree	3.01 to 4.00	Good
5.	Strongly Agree	4.01 to 5.00	Excellent

In addition to the survey questionnaire for collecting data, there were some focus group discussion between the researcher and some administrative committee and board members in some of the target churches. Several issues were tabled for frank discussion to further bring out more information about the state of internal control in the various churches.

### **Validity of Instruments**

To establish content validity, the researcher contacted certain individual who are seasoned accountants and auditors who evaluated the relevance of each item in the questionnaire. The design instruments were also availed to the supervisors for their approval for their approval for the distribution of ten (10) questionnaires to respondents in selected churches for a pilot survey. The recommendations that were obtained from the groups above were used to adjust the questionnaire.



## Reliability of Instruments

To test the inter item consistency reliability of the questionnaire, Cronbach's coefficient alpha which is the most popular test of inter item consistency reliability was used (Cronbach, 1946) as cited by (Sekaran & Bougie, 2013). Questions in the research instrument for each variable in the instrument were entered into SPSS and analyzed. The results are shown in table 4 below.

*Table 4. Reliability Statistics*

	Cronbach's Alpha	No. of Items
Control Environment	0.626	3
Control Activities	0.728	4
Information & Communication	0.737	4
Monitoring	0.597	4
Leadership	0.702	3
Reliable F/S	0.718	3
Effectiveness	0.703	4
Compliance	0.714	4

From Table 4 above, all the reliability statistics measured well the threshold of 0.6 recommended by Sekaran (2008), as cited by Byeanguye (2007).

## Ethical Considerations

The following measures were taken to address potential unethical conducts during this study. Such measures included ensuring informed consent of all the participants by attaching a letter on the questionnaire which clearly explain the purpose of the study and indicating that participating in the study was voluntary and participant may withdraw from participating in the study at any time without any penalties. The letter also indicated that there were no financial compensations for participating in the study. Respondent were required to read the letter first before attempting to fill the questionnaire or participate in the structured interview.

Permission for the collection of data was also obtained from each mission administration before questionnaires were distributed.

Questionnaires were not analyzed individually, but as aggregates to protect respondents from being identified to have provided certain information; they were not required to write their names on the questionnaire to avoid detection. The researcher followed the requirement of (*AUA Standards for Written Work*, 2014). Information obtained during this study was protected against unauthorized access or use. Sensitive hard copies are temporarily kept securely at home until the project is complete and latter bunt. Assistance needed during the collection and analyses of data were not requested from stakeholders.

### **Data Collection Procedure**

The researcher personally hand delivered the questionnaires directly to each respondent within a period of one week, and then collected the filled in questioners after two weeks. However, in some situations that necessitated the involvement of a third party in the distribution and collection of questionnaires, such questionnaire were put in closed envelops to maintained confidentiality. Structured interviews were held for some church board members, and also for administrators. The instrument used for the interview was an interview guide. The purpose was to gather more information that was relevant to this study.

### **Method of Data Analyses**

Statistical Package for Social Science (SPSS) was used to analyze data. Percentages and frequencies were used to analyze respondent characteristics. Means and standard deviations were used to analyze research question one. The second research question was analyzed using Pearson correlation. Research questions three,

multiple regression analysis was used. For the focus group interviews, the researcher took notes and the results were categorized into various themes and integrated into the study. In short, both quantitative and qualitative techniques were used to analyze data.

CHAPTER IV  
RESULTS AND DISCUSSIONS

**Response Rate**

One hundred and twenty seven (127) questionnaires were distributed which is the sample size. One hundred and two (102) questionnaires were received in good condition for analyses as such the response rate is 80.3% of the total sample.

**General Characteristics of the Participants**

Table 5 below contains the sample characteristics. Gender, age, level of education, position in the church and years spent in current position. Statistical tools such as percentages and frequencies were used for analyses of the respondent characteristics.

*Table 5. Frequency Distribution of the Characteristics of the Participants*

Gender	Frequency	Percent
Male	71	69.6
Female	31	30.4
Total	102	100.0
Age of respondents		
20-30	17	16.7
31-40	21	20.6
41-50	28	27.5
Over 50	36	35.3
Total	102	100.0
Education		
Below WASSCE	1	1.0
WASSCE	9	8.8
Diploma/Certificate	50	49.0
Degree	42	41.2
Total	102	100.0
Position		
Church Treasurer	36	35.3
Assistant church treasurer	8	7.8
First Elder	33	32.4
Mission worker	25	24.5
Total	102	100.0
Years in position		
1-2 years	42	41.2
3-5 years	36	35.3
Above 5 years	24	23.5
Total	102	100.0

According to Table 5, males were the majority, consisting of 69.6% of the participants in the study as compared to their female counterpart who were 30.4% of the entire participants. The age characteristics of respondents as shown in Table 5 above reveal that those who were over 50 years were the majority representing 35.3% of the respondents. This was followed by the age group 41-50 years with a response rate of 27.5% of the entire responses. The third group was those between ages 31-40 years with a response rate of 20.6% of all the participants. Those within age 20-30

years old had a response rate of 16.7% of the entire respondents. Looking at table 5, it shows that there were no responses from those below age 20 years.

Table 5 above indicates that only 1% of the respondents had below WASSCE level of education. Those with WASSCE level of education were 8.8% of the entire respondents. This was followed by Diploma/certificate level of education with a response rate of 49.0% which was the highest in the level of education for the entire sample. Degree holders were the second highest with a response percentage of 41.2% in the entire sample covered in the study.

Furthermore, Table 5 shows that Church Treasurers comprised 35.3% of the entire respondents. The second highest is the First Elders (32.4%), followed by the Mission Workers (24.5%) and then the Assistant Church Treasurers (7.8%). Table 5 also reveals that most of the participants (41.2%) had spent 1-2 years in their current position. That was followed by those who have spent between 3-5 years (35.3%) and above 5 years (23.5%) in their current positions.

**Research Question One: To What Extent are  
Internal Control Elements in Place at  
the SDA Church in Sierra Leone?**

Internal control is one of the widely studied concepts in protecting organizational resources. Therefore, one of the central questions in this study was to determine the extent internal control elements in place at the SDA Church Sierra Leone. Table 6 below displays the elements of internal control variables with their respective means values and standard deviations.

Table 6. Elements of Internal Control at the SDA Church Sierra Leone

	Mean	Std. Deviation	Interpretation
Control Environment	3.81	0.77	Good
Risk Assessment	2.76	0.63	Average
Control Activities	2.70	0.93	Average
Information & Communication	3.55	0.75	Good
Monitoring & Evaluation	2.83	0.76	Average

Source: Primary Data where n = 102

There are five elements of internal control as displayed in Table 6 above.

Control Environment has the highest mean of 3.81 ( $SD = 0.77$ ), followed by Information & Communication ( $M = 3.55$ ,  $SD = 0.75$ ), Monitoring & Evaluations ( $M = 2.83$ ,  $SD = 0.76$ ), Risk Assessment ( $M = 2.76$ ,  $SD = 0.63$ ) and Control Activities ( $M = 2.70$ ,  $SD = 0.93$ ). The standard deviations which range from 0.63 - 0.93 measures the degree to which the scores in the distribution deviated from their mean values.

Control Environment is regarded as the foundation for all other components of internal control Dinapoli 2010. Results from Table 6 shows a Control Environment with a mean value of 3.81 ( $SD = 0.77$ ). This implies the SDA Church Sierra Leone has a good control environment system. The Church leaders are willing to provide discipline and structure at the top that is needed for an effective internal control system (Tunji, 2013).

More so, the study revealed that information & communication as a component of internal control in the SDA Church Sierra Leone is good. This is shown in Table 6 where information & communication came second in the ranking of the items there with a mean value of 3.55 and a corresponding standard deviation of 0.75. This indicates that the Church has good information & communication system whereby information flows within the system. Hence, there are effective channels of communication in the SDA Church Sierra Leone.

However, other internal control elements such as monitoring and evaluation, risk assessment, and control activities which have slightly lower means scores of 2.83, 2.76, and 2.70 and standard deviations of 0.76, 0.63, and 0.93 respectively are not strongly practiced, hence they are average.

Responses from the focus group discussion were also taken into account. Some respondents reveal that fraud had occurred in the past in their respective churches as a result of long over stayed church treasure. The records have not been audited at all. In addition, according to the focus group respondents, some people in the church love to receive titles like church elder or church treasurer but when given such responsibilities some of them do not perform effectively as expected. The focus group respondents highlighted the fact that there were no trainings particularly for church treasurers. This partly explains the average performance in monitoring & evaluations, risk assessment, and control activities in the SDA Church Sierra Leone.

The ever-increasing risks in the area of finance of churches (Ahiabor, & Mensah, 2013) call for churches leaders to intensify their internal control systems. Religious organizations need to take the issue of internal control very important because a strong system of internal control in a religious organization is not only capable of creating confidence among the members, but also promotes adherent to religious beliefs, and makes it difficult for fraudulent activities to be carried out (Patterson, & Smith, 2007; Fonfeder, Holtzman, & Maccarrone, 2003).

**Research Question Two: Is there any Significant Relationship  
between Elements of Internal Control  
and Effective Control Systems?**

This research question tests the hypothesis. Bivariate Pearson correlation was used to test the relationships between the dependent variable and the five elements of internal control which are the independent variables.



Table 7 below reveals the results and shows a significant positive relationship between Risk Assessment and Effective Control Systems. ( $r = .58, p < 0.01$ ). This means that the SDA Church Sierra Leone should establish a sound risk assessment system if effective control systems are to be realized. The executive committees, administrators and church boards have the primary responsibility for ensuring a sound risk assessment system.

*Table 7. Bivariate Pearson correlation of Internal Control and Effective Internal Control Systems*

		Effective Control Systems
Risk Assessment	Pearson Correlation	.579**
	Sig. (2-tailed)	.000
	N	102
Control Activities	Pearson Correlation	.489**
	Sig. (2-tailed)	.000
	N	102
Information & Communication	Pearson Correlation	.082
	Sig. (2-tailed)	.413
	N	102
Monitoring & Evaluation	Pearson Correlation	.591**
	Sig. (2-tailed)	.000
	N	102
Control Environment	Pearson Correlation	.088
	Sig. (2-tailed)	.378
	N	102
Leadership Commitment	Pearson Correlation	.694**
	Sig. (2-tailed)	.000
	N	102

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

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

We can also observe a statistically significant positive relationship between control activities and effective control Systems. ( $r = .49, p < 0.01$ ) was found. Control activities are the policies and procedures that help ensure management directives are carried out. Therefore, it is no surprise to see the positive relationship between control

activities and effective internal controls. This result implies that if control activities are improved upon in the SDA Missions Sierra Leone, there will be effective control systems. On the other hand, if the authorities in the SDA Church Sierra Leone neglect to enhance the control activities, there will be a decline in effective control systems.

Table 7 showed no statistical significant relationship between Information and Communication and Effective Control Systems. ( $r = .082, P < 0.01$ ). However, as a church organization or any other organization as a matter of fact needs both relevant and reliable information in order to be able to effectively control its resources (Adepeju 2013). Both operational and financial information is needed to determine whether an entity is meeting their strategic goals (DiNapoli, 2010), (GAO 2001). Furthermore, Management's ability to make better decisions is dependent on the quality of information they have, which implies that the information should be appropriate, timely, current, accurate and accessible (INTOSAI, 2001).

From Table 7 above, it reveals a statistically significant relationship exists between monitoring and evaluations and effective control systems ( $r = .59, p < 0.01$ ). Ongoing monitoring occurs in daily operations including supervision, regular assessment of the quality of internal control system performance. Therefore, there is a relationship between the monitoring of such processes and having effective controls. This suggests that if the leadership of the SDA Church Sierra Leone improves on monitoring and evaluations, effective control systems will be achieved in the Church. Internal control monitoring should assess the quality of performance over time, and ensure that the findings of audits and other reviews are promptly resolved (GAO, 2001). Unfortunately, local church audit is not very common in the SDA Church Sierra Leone. Many respondents disagreed when asked whether audits are conducted in their churches. Also, during the focus group interview, it was revealed that two out

of the three missions in Sierra Leone, have not been audited by GCAS since their establishment.

Table 7 above also shows that there is no statistically significant relationship between control environment and effective control systems. ( $r = 0.88$ ,  $p < 0.01$ ). The control environment provides the discipline and structure that is needed for an effective internal control process (Dinapoli 2010; GAO, 2001; *SDA Accounting Manual*, 2008). Auditors need to assess the control environment because it is a high-level indicator of how seriously the leadership takes its responsibility for internal controls and how well management is meeting this responsibility. It is a highly subjective component of the internal control framework (DiNapoli 2010).

Table 7 reveals statistically significant positive relationship between leadership commitment and effective control system ( $r = .69$ ,  $P < 0.01$ ) was found. The leadership commitment is the exemplary character leaders demonstrate; that sets the tone at the top through of the church organization, by influencing the control consciousness of staff. This provides discipline and structure that is needed for an effective internal control process (Dinapoli 2010; GAO, 2001; *SDA Accounting Manual*, 2008). The leadership attitude should include (1) the personal and professional integrity and ethical values of management. and staff in addition to a supportive attitude toward internal control at all times throughout the institution; (2) it also includes commitment to competence for all the employees in the organization.; (3) the “tone at the top” should be set by the leadership through their philosophy and operating style (4) organizational structure, and (5) human resource policies and practices. The leadership should adopt a code of conduct and corporate philosophy and operating style throughout the organizational structure that is committed toward

internal control and conscientious management (Dinapoli 2010; GAO, 2001; Tunji, 2013).

**Research Question Three: Which of the Internal Control Elements Have a Significant Predictive Effect on Effective Control System?**

Multiple regression analysis was used to determine which element of internal control had a predictive effect on effective control systems. Table 8 below displays the results.

*Table 8. Regression Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 <sup>a</sup>	.631	.608	.44431

a. Predictors: (Constant), Leadership Commitment, Control Environment, Information & Communication, Risk Assessment, Control Activities, Monitoring & Evaluation

Among the variables considered, control environment, risk assessment, control activities, information & communication and monitoring and evaluation and leadership commitment entered the multiple regression analysis with a coefficient of determination, R<sup>2</sup> of 0.63. Furthermore, Table 9 below shows that the overall multiple regression model is statistically significant (F =27.126,  $p < .01$ ).

*Table 9. ANOVA*

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	32.130	6	5.355	27.126	.000 <sup>b</sup>
Residual	18.755	95	.197		
Total	50.885	101			

a. Dependent Variable: Effective Control System  
b. Predictors: (Constant), Leadership, Control Environment, Information & Communication, Risk Assessment Control Activities, Monitoring & Evaluation

In addition, the regression coefficients shown in Table 10 below shows that among the independent variables, only risk assessment ( $p < .01$ ,  $\beta = .281$ ) and Leadership Commitment of  $\beta .495$  are significant predictors of effective control systems. This implies that risks assessment and leadership commitment leads to positive change in effective control systems.

*Table 10. Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.998	.308		3.240	.002
1 Risk Assessment	.317	.086	.281	3.698	.000
Control Activities	.101	.061	.132	1.654	.101
Information & Communication	-.111	.063	-.118	-1.758	.082
Monitoring & Evaluation	.126	.091	.135	1.387	.169
Control Environment	-.101	.063	-.110	-1.601	.113
Leadership Commitment	.371	.062	.495	5.936	.000

a. Dependent Variable: Effective Control System

Therefore, the null hypotheses which claimed that risk assessment and leadership commitment have no significant predictive effect on effective internal control system are rejected.

Control Activities ( $P < 0.1$ ,  $\beta = .132$ ), Information & Communication ( $P < 0.1$ ,  $\beta = -.118$ ), monitoring & evaluation ( $P < 0.1$ ,  $\beta .135$ , and Control Environment ( $P < 0.1$ ,  $\beta = -.110$ ) are not significant predictors of effective control systems. Therefore the null hypotheses which stated that there is no significant

predictive effect of control activities, information & communication, monitoring & evaluations, as well as control environment on effective control system are accepted.

During the review of literature, element of internal control were mostly found to have a predictive effect on effectiveness and efficiency of operations, reliable financial statements and policy compliance but this study has found some of these variable to be the other way round. Elements of internal control such as risk assessment and monitoring, when properly coordinated will enhance the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting and compliance with applicable laws and regulations” COSO as cited by Tunji (2013, p. 2).

Weak internal control system is dangerous for a church organization. This is because when fraud occurs it can disrupt normal church operations, arouse distrust for the leadership of the church and even split the church. Worst of all, the society may view the Christian faith with suspicious eyes, reducing its credibility (Keller & Owens, 2015). Therefore the SDA Church leadership in Sierra Leone must concentrate its commitment to ensuring that all the elements of internal control are properly functioning to achieve effective control system.

## CHAPTER 5

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### **Summary**

The Seventh-day Adventist Church in Sierra Leone has existed for well over a century now. However, the Church's progress in terms of membership growth and infrastructural development in the country is much less when compared with other countries in West Africa like Liberia and Ghana. This may be the consequence of the way the Church leadership handles its human and financial resources. There are several evidences indicating weak control systems that can negatively affect the Church. These evidences include the lack of local church audits and absence of trainings for new treasurers and other church workers that have been elected into office to carry on with their new assignment. This then results in some financial reports from the local churches wrongly prepared and reported late. The missions also have their own challenges for example GCAS audits reports for the period 2013, 2014 and 2015 were far from satisfactory for SLM and the other mission stations have not been audited by GCAS at all since they were opened.

Holtzman and Maccarrone (2003) stated that a strong system of internal control in a religious organization is capable of creating confidence among the members, promotes adherent to religious beliefs, and makes it difficult for fraudulent activities to be carried out. Failure in addressing these weaknesses in the SDA Church Sierra Leone eroded the confidence of members and resulted in decline of church membership. Therefore, there was the need for an investigation of the effectiveness of

internal control systems within the three missions of the Seventh-day Adventist Church in Sierra Leone.

To address these issues, the following research questions were addressed: To what extent were internal control elements in place at the SDA Church in Sierra Leone? Were there any significant relationship between the element of internal control and effective control system? Which of the internal control elements had a significant predictive effect on effective internal control system?

The research design for this study was a causal study survey design. Since a causal study tests whether or not one (or more) variable(s) causes (or cause) another variable to change, therefore it was appropriate for the researcher to test whether the independent variables caused the dependents variables to change in some ways (Sekaran & Bougie, 2013). This then enabled the researcher to understand how the independent variables affected the dependents variables. Also, notes were taken from the focus group interviews and integrated into the study. Four churches and two mission administrations participated in the focus group interview and 102 valid questionnaires were received from respondents.

### **Findings**

The findings for this study were as follows:

1. The study found a Control Environment with a mean value of 3.81 and a standard deviation = 0.77). This implies the SDA Church Sierra Leone has a good control environment system that ensures regular meetings, authorization of expenses and putting internal control policies in place.
2. The study also revealed that information & communication as a component of internal control in the SDA Church Sierra Leone is good. Information and communication had a mean value of 3.55 and a corresponding standard



deviation of 0.75. This indicates that the SDA Church in Sierra Leone is ensuring that there are no blockages in information and reliable, timely and accessible information is provided.

3. However, other internal control elements such as monitoring and evaluation, risk assessment, and control activities presented slightly lower means scores of 2.83, 2.76, and 2.70 and standard deviations of 0.76, 0.63, and 0.93 respectively. It appears that the church leaders were not ensuring that annual audits conducted for the churches and even for some mission, timeliness in financial reports were not ensured, annual budgets for local churches were not available and many other issues were not adequately addressed as such monitoring & evaluation, risk assessment, and control activities presented average performance
4. Responses from the focus group discussion were also taken into account. Some respondents reveal that fraud had occurred in the past in their respective churches as a result of long over stayed church treasure. . These partly explain the average performance in monitoring & evaluations, risk assessment, and control activities in the SDA Church Sierra Leone.
5. Bivariate Pearson correlation was used to test the relationships between the dependent variable and the elements of internal control which were the independent variables. The study reveals a moderate positive relationship between Risk Assessment and Effective Control Systems. ( $r = .58, p < 0.01$ ). This means that the SDA Church Sierra Leone should establish a sound risk assessment system if effective control systems are to be realized.
6. The study also reveals a statistically significant positive relationship between control activities and effective control Systems. ( $r = .49, p < 0.01$ ) was found.

This result implies that if control activities are improved upon in the SDA Missions Sierra Leone, there will be effective control systems.

7. We also found that there were no statistical significant relationship between Information and Communication and Effective Control Systems. ( $r = .08$ ,  $P < 0.01$ ). This was a very disturbing finding because many studies have found this to be related but for reasons beyond the knowledge of the researcher this became the result.
8. We also found a statistically significant relationship existing between monitoring and evaluations and effective control systems ( $r = .59$ ,  $p < 0.01$ ). This suggests that if the leadership of the SDA Church Sierra Leone improves on monitoring and evaluations, effective control systems will be achieved in the Church.
9. The study also shows that there is no statistically significant relationship between control environment and effective control systems. ( $r = .08$ ,  $p < 0.01$ ). This is also a difficult issue because control environment is considered as the foundation of internal control, from which all other components are built upon.
10. The study also found that there is a statistically significant positive relationship between leadership commitment and effective control system ( $r = .69$ ,  $P < 0.01$ ) was found. Therefore if leadership commitment is improve upon there will be effective control system.
11. Among the variables considered, risk assessment ( $p < .01$ ,  $\beta = .281$ ), and Leadership Commitment  $\beta = .495$  are significant predictors of effective control systems. This implies that risks assessment, monitoring & evaluation

and leadership commitment leads to positive change in effective control systems.

12. Therefore, the null hypotheses which claimed that risk assessment, and leadership commitment have no significant predictive effect on effective internal control system are rejected.

13. Control Activities ( $P < 0.1$ , Beta = .132), Information & Communication ( $P < 0.1$ , Beta = -.118), monitoring/evaluation ( $p < .01$ , beta = .135) and Control Environment ( $P < 0.1$ , Beta = -.110) are not significant predictors of effective control systems. Therefore the null hypotheses which stated that there is no significant predictive effect of control activities, information & communication, monitoring/evaluation, as well as control environment on effective control system are accepted.

### **Conclusion**

Based on the research finding, the following conclusions were drawn: Internal control elements were in place at the SDA Church in Sierra Leone with control environment and information & communication scoring the highest means and standard deviations representing good performance. There was a positive correlation between, risk assessment, control activities, monitoring & evaluation, leadership commitment and effective control system. There is also strong empirical evidence that elements of internal control are essential to having effective control system. Risk assessment and monitoring & evaluation and leadership commitment were the significant predictors of effective control system.

## **Recommendations**

Based on the research findings, the following recommendations are suggested for the church leaders to implement.

### **Local Churches**

1. Each year, training should be conducted for new church treasurers to enhance their skills and capacitate them to do the job they have been elected for.
2. Annual church audit should be conducted for each SDA local church in Sierra Leone. Recommendations should be provided in time to the church board and the respective mission. These audit reports should be discussed at church board meetings.
3. Church treasurers must be encouraged to prepare annual church budget to guide the local church in the way expenditures are undertaken.
4. The study found some church treasurers staying in the same position for three or four years. This should be discouraged, instead each year the position must be given to another person to enhance the skill of more people and also protect the church resources.
5. Financial reports from the local church must be signed by at least three people and such people should be present during the counting of the tithe and offering.
6. It also appears that spirituality is also at a low level in the church in Sierra Leone especially on the side of the pastors who appear not to meet their spiritual responsibility but are focused on church politics and other worldly matters. This should be recognized first as a problem then organize a seminar for pastors to reignite spirituality in them which they will then transmit to the church members.

## **The Missions**

1. There are so many complain about low salaries and poor working conditions in the missions in Sierra Leone therefore there is need for this to be addressed through proper management of funds, reduce wastages ad mismanagement of resources and provide proper accountability.
2. Before we hear of the worst from the two missions that have not yet been audited by GCAS, there is need to request for auditing service of GCAS or any other auditing body that will be appropriate to audit those missions on an annual base.
3. Apart from acquiring academic qualifications, there is need for training especially for treasury staff in the three missions in Sierra Leone to enhance their skills and competency so they can perform the job effectively,
4. Almost all Seventh-day Adventist institutions in West Africa use SunPlus accounting program while in Sierra Leone, one mission is still using the outdated sun program and the other two missions are using excel for their accounting. There is need for the SDA Church leaders in Sierra Leone to upgrade by calling for the installation of SunPlus accounting program in all the three missions and train treasury staff how to use it.
5. As the researcher moved around and talked with people, it appears clearly that spirituality is more in the mouth of people than in their hearts or in their characters. People are more interested in attaining positions than living a serious Christian life. Such people are busy with the so-called church politics that is being practiced, which is a reflection of their spiritual state, indicating a lack of faith in God for promotion. This has to stop if the church is to move

forward in Sierra Leone. Church leaders must treat people they work with fairly and justly based on laid down criteria not by who aligns with you.

### **Suggestions for Future Research**

The researcher suggests further studies on the impact of internal control on public trust.

## APPENDIXES

APPENDIX A  
RESEARCH INSTRUMENTS

Dear participants,

The study seeks to find out the impact internal control is having on churches within the three missions of the Seventh-day Adventist Church Sierra Leone. You are being asked to participate because your current position in the church will enable you to make meaningful contributions. Your views and opinion are very important to this study and therefore I am requesting you to fill this questionnaire.

Your participation in this study is voluntary and you may withdraw at any time without penalty or prejudice. You will not receive any monetary payment for your participation. The responses obtained will be confidential, your identity will not be revealed and all data collected will be aggregated. The potential benefit of the study will be that recommendations may be provided that will improve work in the SDA Church especially in Sierra Leone.

Thanks so much for your co-operation.

Yours Faithfully

Sieh Kamara  
MBA Student Adventist University of Africa



FOR CHURCH TREASURERS, ASSOCIATE TREASURERS, AND ELDERS

**Section A**

**General Information**

**Instruction; Please tick (✓) the appropriate box that best describes you**

Gender

Male

Female

Age

Below 20

20-30

31-40

41-50

Over 50

Level of Education

Below WASSCE

WASSCE Certificate/Diploma Degree

Others

Please specify.....

Position in your local church/mission

Church Treasurer

Assistant Church Treasurer

First Elder

Mission worker

Please specify your position in the mission).....

Years spent in current position

1-2 years

3-5 years

Above 5 Years

**Section B**

**Elements of Internal Control, Leadership Commitment, Reliable Financial Statement, Efficiency & Effectiveness of Operations, and Policy Compliance**

**Instruction:** Given below are some statements about the general practices in your local Church/ mission. Please answer the following in terms of how it really is in your church/mission, not how you would prefer it to be. Please be as candid as possible, remember, all your responses will remain strictly anonymous. Use the following rating scale and circle what best describes you:

1 = *Strongly Disagree*

2 = *Disagree*

3 = *Neither Disagree or Agree*

4 = *Agree*

5 = *Strongly Agree*

(I) Control Environment	SD	D	N	A	SA
1. In my local church, the church board meets regularly and minutes are kept of all their meetings.	1	2	3	4	5
2. In my local church, expenses are authorized by the church board before the treasurer makes payment.	1	2	3	4	5
3. The church board of my local church has policies on internal control that exist in writing	1	2	3	4	5
4. Each year, leaders of my local church conduct adequate training for new church treasurers and other church officials.	1	2	3	4	5
(II) Risk Assessment	SD	D	N	A	SA
1. My local church pays each year for it insurance policy coverage at the Mission.	1	2	3	4	5
2. There is the probability of fraud in my local church.	1	2	3	4	5
3. There is always annual church audit conducted by the Mission in my local church.	1	2	3	4	5
4. Financial reports in my local church are prepared and presented to the mission on time and in accordance to mission requirements.	1	2	3	4	5
(III) Control Activities	SD	D	N	A	SA
1. In my local church, each church official is provided with a job description in writing.	1	2	3	4	5
2. The treasurer of my local church does prepare an annual budget which is approved by the church board.	1	2	3	4	5
3. Financial statements are prepared and presented by the treasurer at each church board meeting.	1	2	3	4	5
4. Audit report of my local church is discuss at church board meeting with appropriate actions taken.	1	2	3	4	5
(IV) Information and Communication	SD	D	N	A	SA
1. There is no blockage in information in my local church.	1	2	3	4	5
2. Information about church activities is provided in time to all church workers	1	2	3	4	5
3. Church workers have access to information on internal control.	1	2	3	4	5
4. Information provided in the local church is reliable					
(V) Monitoring and Evaluation	SD	D	N	A	SA
1. Actions are taken against those found to be violating church principles/policies	1	2	3	4	5
2. Auditors' reports are always monitored to have a better report next time.	1	2	3	4	5
3. The church board of my local church sets and reviews the system of internal control on a periodic basis.	1	2	3	4	5
4. There are periodic reviews of activities of all church workers to deal with material control problems.	1	2	3	4	5

(VI) Leadership Commitment	SD	D	N	A	SA
1. The church board of my local church is very concern about church workers adherence to internal control policies.	1	2	3	4	5
2. There are adequate procedures to protect tithe/offerings and other income of my local church against theft and mismanagement.	1	2	3	4	5
3. The church board usually conduct checks to ensure compliance with internal control in the church.	1	2	3	4	5
4. The church board stipulated penalties for those who violate internal control rules in my local church.					
(VII) Reliable Financial Statements	SD	D	N	A	SA
1. Audit reports for my local church have been good for the past five years.	1	2	3	4	5
2. Each Sabbath, the financial report for last Sabbath is read publicly during Sabbath worship by the church treasurer.	1	2	3	4	5
3. The mission conduct audit for my local church each year.	1	2	3	4	5
4. The financial reports prepared by my local church treasurer are free from errors and fraud.	1	2	3	4	5
(VIII) Effectiveness & Efficiency in Church Operations	SD	D	N	A	SA
1. Church members attend service always and in time	1	2	3	4	5
2. At least once a week the church goes out to evangelized to the community	1	2	3	4	5
3. Campaigns or evangelisms are held frequently because there are sufficient funds allocated to evangelism by the local church.	1	2	3	4	5
4. The pastors and elders are doing very well in meeting the spiritual needs and leadership oversight for my local church	1	2	3	4	5
(IX) Policy Compliance	SD	D	N	A	SA
1. As a church worker, I adhere to internal control rules and procedures in the local church.	1	2	3	4	5
2. The financial reports from my local church to the Mission are always signed by at least two people – the elder, the treasurer etc.	1	2	3	4	5
3. As SDA Church member, I strictly obey all the church doctrines, rules and regulations.	1	2	3	4	5
4. My local church adheres to state laws such as obtaining permission when gathering large number of people.	1	2	3	4	5

**SECTION C**

List four (4) major problems in your local church that need to be corrected:

- 1. ....
- 2. ....
- 3. ....
- 4. ....

List four (4) strategies that you think can be put in place to correct these problems:

- 1. ....
- 2. ....
- 3. ....
- 4. ....

Thank you so much for your cooperation

**FOR STAFF IN THE THREE MISSIONS**

**Section A**

**General Information**

**Instruction; Please tick (✓) the appropriate box that best describes you**

Gender

Male

Female

Age

Below 20

20-30

31-40

41-50

Over 50

Level of Education

Below WASSCE

WASSCE Certificate/Diploma Degree

Others

Please specify.....

Position in your local church/mission

Church Treasurer

Assistant Church Treasurer

First Elder

Mission worker

(Please specify your position in the mission).....

Years spent in current position

1-2 years

3-5 years

Above 5 Years

## Section B

### Elements of Internal Control, Leadership Commitment, Reliable Financial Statement, Efficiency & Effectiveness of Operations, and Policy Compliance

Instruction: Given below are some statements about the general practices in your workplace. Please answer the following in terms of how it really is in your workplace, not how you would prefer it to be. Please be as candid as possible, remember, all your responses will remain strictly anonymous. Use the following rating scale and circle the number that best describes you:

1 = *Strongly Disagree*

2 = *Disagree*

3 = *Neither Disagree or Agree*

4 = *Agree*

5 = *Strongly Agree*

(X) Control Environment	SD	D	N	A	SA
1. The Administrative committee of my Mission meets regularly and minutes are kept of all their meetings.	1	2	3	4	5
2. In my mission, expenses are authorized by the treasurer before payment are made.	1	2	3	4	5
3. In my mission, the administrators have policies on internal control which exist in writing.	1	2	3	4	5
4. Trainings are always conducted for new employees.	1	2	3	4	5
(II) Risk Assessment	SD	D	N	A	SA
1. The Mission pays each year for it insurance policy coverage through WAUM.	1	2	3	4	5
2. There is the probability of fraud taking place at my mission.	1	2	3	4	5
3. Each year, GCAS conduct an audit for the Mission.	1	2	3	4	5
4. The financial statement indicators like liquidity and working capital are within the recommended level for the mission.	1	2	3	4	5
(III) Control Activities	SD	D	N	A	SA
1. The staffs in the Mission are provided with job description in writing.	1	2	3	4	5
2. In my mission, departmental heads and key staff are consulted in budget preparation.	1	2	3	4	5
3. The treasurer of my mission does prepare financial statement and present them at each Executive Committee meeting.	1	2	3	4	5
4. Audit report in my mission are discus at Executive Committee meeting.					
(IV) Information and Communication	SD	D	N	A	SA
1. Information flows freely without any blockage in the Mission.	1	2	3	4	5

2. Information about Mission activities is provided to all workers in time.	1	2	3	4	5
3. Information about internal control is provided to all mission workers.	1	2	3	4	5
4. Information provided for mission workers is reliable.	1	2	3	4	5
<b>(V) Monitoring and Evaluation</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1. Actions are always taken against those who violate mission policies.	1	2	3	4	5
2. GCAS audit the mission each year and the audit report is discus at Executive Committee meeting.	1	2	3	4	5
3. There are frequent workers meetings where successes and challenges are discus with appropriate actions taken.	1	2	3	4	5
4. 0 There is a periodic review of activities of all Mission workers to deal with material control problems.	1	2	3	4	5
<b>(VI) Leadership Commitment</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1. The Executive Committee and Administrators of my mission lead by example on internal control matters	1	2	3	4	5
2. In my mission, there is awareness among all the staffs about internal control which is created by the Administrators to protect mission assets from theft and embezzlement.	1	2	3	4	5
3. The mission Executive Committee usually carryout checks to ensure that Administrators and staffs of the mission comply with internal control.	1	2	3	4	5
4. The mission administrators stipulate penalties for those who violate internal control rules.	1	2	3	4	5
<b>(VII) Reliable Financial Statements</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1. GCAS audit reports for the Mission have been good for the past five years.	1	2	3	4	5
2. Financial statements are prepared and presented at each Executive Committee meeting.	1	2	3	4	5
3. Each year, GCAS audit the financial statements of this mission.	1	2	3	4	5
4. Financial reports from the local churches of this mission are always signed by at least two or more people before they are brought to the mission.	1	2	3	4	5
<b>(VIII) Effectiveness and Efficiency in Mission Operations</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1. Workers of my mission go to work regularly and in time.	1	2	3	4	5
2. Trust fund reports and payment are always done within the recommended time.	1	2	3	4	5

3.	Each year pastors meet their baptismal goals in this mission because there is sufficient budget for evangelism.	1	2	3	4	5
4.	Our administrators are meeting the spiritual needs of mission workers as well as church members.	1	2	3	4	5
<b>(IX) Policy Compliance</b>		<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	There is strict adherence to internal control policies and procedures in the mission	1	2	3	4	5
2.	The Administrators and other departments strictly adhere to their budget during the cause of the year.	1	2	3	4	5
3.	As SDA Church member, I strictly obey all the church doctrines, rules and regulations.	1	2	3	4	5
4.	This mission administrators complies with the State requirements such as regular payment of NASSIT and income tax.	1	2	3	4	5

Adapted from Ntongo, (2012) and *SDA Accounting Manual*, (2008)

**SECTION C**

List four (4) major problems in your Mission that need to be corrected:

1. ....
2. ....
3. ....
4. ....

List four (4) strategies that you think can be put in place to correct these problems:

1. ....
2. ....
3. ....
4. ....

Thank you so much for your cooperation.



APPENDIX B  
INTERVIEW GUIDE

Dear participants,

The study seeks to find out the impact internal control is having on churches within the three missions of the Seventh-day Adventist Church Sierra Leone. You are being asked to participate because your current position in the church will enable you to make meaningful contributions. Your views and opinion are very important to this study and therefore I am requesting you to fill this questionnaire.

Your participation in this study is voluntary and you may withdraw at any time without penalty or prejudice. You will not receive any monetary payment for your participation. The responses obtained will be confidential, your identity will not be revealed and all data collected will be aggregated. The potential benefit of the study will be that recommendations may be provided that will improve work in the SDA Church especially in Sierra Leone.

Thanks so much for your co-operation.

Yours Faithfully

Sieh Kamara  
MBA Student Adventist University of Africa

1. As church officer, describe your daily/weekly etc. activities.
2. What steps have you taken to establish and monitor internal controls to prevent those who handle finance from engaging in fraudulent activities?
3. Have you ever heard of any fraud case in the SDA Church Sierra Leone whether at local church level or at the mission level?
4. What factors enabled such fraudulent activities to occur?
5. How can such fraudulent activities be prevented?
6. Do you think that the Mission/local church is free from fraud? If no, what might go wrong?
7. Do you think the mission workers have sufficient training to do the job effectively and efficiently in your mission?
8. Please tell us any other problem in the SDA Church Sierra Leone that needs to be solved by the church leaders?

Thank you so much.

APPENDIX C

TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Krejcie and Morgan (1970) pre calculated table

APPENDIX D  
STATISTICAL OUTPUT

Reliability Statistics

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Control Environment Reliability Statistics	
Cronbach's Alpha	N of Items
.626	3

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Control Activities Reliability Statistics	
Cronbach's Alpha	N of Items
.728	4

---

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Information & Communication Reliability Statistics	
Cronbach's Alpha	N of Items
.737	4

---

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Monitoring Reliability Statistics	
Cronbach's Alpha	N of Items
.597	4

---

Leadership Reliability Statistics	
Cronbach's Alpha	N of Items
.702	3

Reliable F/S Reliability Statistics	
Cronbach's Alpha	N of Items
.718	3

Effectiveness Reliability Statistics	
Cronbach's Alpha	N of Items
.703	4

Compliance Reliability Statistics	
Cronbach's Alpha	N of Items
.714	4

Gender of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	71	69.6	69.6	69.6
	Female	31	30.4	30.4	100.0
	Total	102	100.0	100.0	

Age of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	17	16.7	16.7	16.7
	31-40	21	20.6	20.6	37.3
	41-50	28	27.5	27.5	64.7
	Over 50	36	35.3	35.3	100.0
	Total	102	100.0	100.0	

Level 1 of Education of Respondents					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Below WASSCE	1	1.0	1.0	1.0
	WASSCE	9	8.8	8.8	9.8
	Diploma/Certificate	50	49.0	49.0	58.8
	Degree	42	41.2	41.2	100.0
	Total	102	100.0	100.0	

Positions Respondents Occupies in the Church					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Church Treasurer	36	35.3	35.3	35.3
	Assistant church treasurer	8	7.8	7.8	43.1
	First Elder	33	32.4	32.4	75.5
	Mission worker	25	24.5	24.5	100.0
	Total	102	100.0	100.0	

Years spent in Current Position					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1-2 years	42	41.2	41.2	41.2
	3-5 years	36	35.3	35.3	76.5
	Above 5 years	24	23.5	23.5	100.0
	Total	102	100.0	100.0	

Descriptive Statistics for RQ 1						
	N	Minimum	Maximum	Mean	Std. Deviation	
ConEnvironment	102	1.33	5.00	3.8105	.77290	
Risk	102	1.00	4.75	2.7574	.62878	
ConActivities	102	1.00	5.00	2.6961	.92986	
InforComm	102	1.50	5.00	3.5490	.75209	
Monitoring	102	1.00	5.00	2.8333	.75970	
Valid N (listwise)	102					

		Effective Control System	
Effective Control System	Pearson Correlation		1
	Sig. (2-tailed)		
	N		102
Risk	Pearson Correlation		.579**
	Sig. (2-tailed)		.000
	N		102
ConActivities	Pearson Correlation		.489**
	Sig. (2-tailed)		.000
	N		102
InforComm	Pearson Correlation		.082
	Sig. (2-tailed)		.413
	N		102
Monitoring	Pearson Correlation		.591**
	Sig. (2-tailed)		.000
	N		102
ConEnvironment	Pearson Correlation		.088
	Sig. (2-tailed)		.378
	N		102
Leadership	Pearson Correlation		.694**
	Sig. (2-tailed)		.000
	N		102

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 <sup>a</sup>	.631	.608	.44431

a. Predictors: (Constant), Leadership, ConEnvironment, InforComm, Risk, ConActivities, Monitoring

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.130	6	5.355	27.126	.000 <sup>b</sup>
	Residual	18.755	95	.197		
	Total	50.885	101			

a. Dependent Variable: Effective Control System  
b. Predictors: (Constant), Leadership, ConEnvironment, InforComm, Risk, ConActivities, Monitoring

		Coefficients				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.998	.308		3.240	.002
	Risk	.317	.086	.281	3.698	.000
	ConActivities	.101	.061	.132	1.654	.101
1	InforComm	-.111	.063	-.118	-1.758	.082
	Monitoring	.126	.091	.135	1.387	.169
	ConEnvironment	-.101	.063	-.110	-1.601	.113
	Leadership	.371	.062	.495	5.936	.000

a. Dependent Variable: Effective Control System



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Date of birth: 05/10/1980

Place of birth: Kamakwie town, Northern Province Sierra Leone

Nationality: Sierra Leonean

Gender: Male

Marital status: Married

### EDUCATIONAL INFORMATION

YEAR	INSTITUTION	RESULT
2013 - 2018	Adventist University of Africa	MBA (Finance) Candidate
2007-2011	Institute of Public Administration and Management (University of Sierra Leone)	Bachelor of science with honours in business administration first class
2001-2006	Prince of Wales Secondary School	BECE and WASSCE
2000	Saint Paul Primary School	NPSE

### WORKING EXPERIENCE

2006-2010 Sierra Leone Mission

2011 to date Sierra Leone Mission

### KEY INTERESTS

Reading good books

Listening to good music