

Effectiveness of Regulatory Compliance, Auditing, Physical Assets Control Practices on Financial Performance in Churches.

Wasswa Asaph Senoga

Bishop Tucker School of Theology, and Divinity, Uganda Christian University, Mukono, Uganda

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ABSTRACT

The purpose of this study is to explore the effect control practices of compliance with rules and policies, internal auditing, and Physical access control to assets and financial documents in enhancing the financial performance of churches. The study was guided by agency theory. The positivist philosophy guided the selection of appropriate methodologies for this research. It adopted a survey research design with a quantitative approach to explore the relationship between the variables and test hypotheses. This study used primary data gathered from questionnaires issued to twelve church leaders in the central dioceses of the Church of Uganda. Cronbach's alpha was applied to test the reliability of the research instruments. A multiple regression model using SPSS version 20 was used to analyze the obtained data and test the hypotheses. The findings demonstrated that compliance with rules and policies, internal auditing, and Physical access control to assets and financial documents have a substantial influence on the financial performance in the administration of church money. Based on the findings, the church management should develop effective compliance with rules and policies, internal auditing, and Physical access control to assets and financial documents to improve the church's financial performance.

Keywords: Regulatory Compliance, auditing, Financial Performance

INTRODUCTION

It is important for the effective financial management of the churches that activities are carried out in a corporate manner. Churches receive a lot of finances from the different stakeholders for their gospel encounters. Therefore it is the responsibility of church administrators to ensure compliance with industry rules and policies, auditing, and protection of assets and financial documents.

However, some critics of church financial management practices contend that there are several challenges with managing church finances. Churches have been accused of non-compliance with accounting rules and regulations (Faboyede, Ogguniyi, Atanda, Adesina, & Ben-Caleb, 2022; Gitee, Mburu & Muhavani, 2019).

Allegations of inadequate auditing in churches are prevalent. While it is true that churches need more funds to advance the work of the great commission, allegations of inadequate protection of assets and financial documents have been leveled against the church. To improve the financial performance of the churches, there is a great need for compliance with the Policies and processes.

There is a great need for good financial management practices. Good financial management practices include compliance with rules and regulations. The church should audit its finances, the church needs to protect its assets and financial documents.

Poor financial management practices can lead to poor financial performance and fraud. Adopting good financial practices like compliance behaviors, auditing and physical assets and records control are primary

requirements of financial management.

Previous studies have revealed that good financial management practices can mitigate fraud tendencies, make auditing effective and enhance financial performance in organizations.

The purpose of this research is to explore the current practices of compliance with regulation, internal auditing, and physical asset and financial document control in the church. This study investigates the link between good financial management practices and financial performance in churches.

The outcome of this study will convey relevant information to church administrators, and academic knowledge of how effective financial management practices should be implemented. Moreover, this study should be of importance to policymakers in the development of core practices and systems that enhance desired financial management practices in churches.

THEORETICAL REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The influence of Internal Control Procedures on the financial performance of the Central Dioceses of the Church of the Province of Uganda was investigated using agency theory. According to Mrabure & Abhulimhen-Iyoha, A. (2020), an organization may consist of a collection of connected contracts between the owners of economic resources (the principals) and managers (the agents) responsible for utilizing and regulating these resources.

Using agency theory, the effect of internal control practices on the financial performance of the important dioceses of the Church of Uganda Province was explored. A large amount of research on this topic has been undertaken within the setting of the principal-agent paradigm. Agency theory defines an agency relationship as one in which one party, the principal, assigned duties to another party, the agent.

The agency relationship may have a range of downsides owing to the agent's opportunism or self-interest: for example, the agent may not conduct in the best interests of the principle, or the agent may only function partially in the best interests of the main (Chrisman, 2019; Davis, Bendickson, Muldoon & McDowell, (2021). There can be several dimensions to this, such as the agent abusing their power for monetary or other benefits, or the agent failing to take appropriate risks in pursuit of the principal's interests because the agent views those risks as inappropriate, whereas the principal may have different attitudes toward risks.

The theory was thus very relevant in this study because church members, who own the church, have delegated the day-to-day running of the church to leaders who act as their agents, highlighting the critical need for strong Internal Control Practices to ensure church members' interests are adequately safeguarded. As a consequence, the concept supports the implementation of regulatory and policy compliance, internal audits, and physical access control to assets and financial data.

Resource Mobilization Theory

Organizations both For-profit and Not-for-Profit Organizations including churches need resources in the form of people and 'finances' for the successful functioning of their operations. We cannot activate the organization's other resources without this resource. The capacity of a church mission activity to mobilize enough people and money finances (human and monetary resources) may determine its effectiveness.

Before, when 'Alms Giving' and charity were held in high regard, those involved with church matters were able to gather the required sums from affluent individuals. Nonetheless, the motivations for donating to the

church, as well as the scope of societal concerns, have shifted dramatically in recent years. The outcome is that resources are being depleted. Meanwhile, more and more funds are necessary for ministry tasks.

Mobilization is the process of assembling crowds, groups, alliances, and organizations for the pursuit of collective objectives, according to resource mobilization theory (Clough, Fang, Vissa & Wu, (2019). Organizations do not “suddenly form,” but rather need the mobilization of resources. The study of social movements includes the sociological notion of resource mobilization. It emphasizes the capacity of movement members to gather resources and organize others in order to achieve their aims.

Hypothesis development

Financial control practices

Financial control practices relate to all policies and procedures developed by an entity’s management to accomplish management goals. These control procedures provide management with confidence in the dependability of accounting information used for decision-making.

Management decisions in guided by proper policies and those policies lead to effective performance. According to (Rustiarini, Nurkholis, and Andayani 2019; Zietlow, Hankin, Seidner, and O’Brien 2018), control activities are policies and procedures that ensure management directions are carried out. Additionally, these tasks often entail a policy defining what should be done and the method necessary for that policy to be successful. Hence, church financial control methods relate to financial operations such as financial accounting records, compliance controls, auditing functions, and physical control of access to assets.

Compliance with Policies and Regulations, and Fraud prevention

Accounting procedures are intended to improve clarity, direction, and transparency. Accounting procedures must be documented to guarantee consistency and compliance with applicable accounting principles and standards (Jones, 2007). Numerous operations should be documented; accounting is simply one of the many areas on which organizations of all kinds must concentrate their efforts.

According to (Bingi, 2022; Lalnunmawia Royte, 2022), when a Church discloses its financial accounts outside of the Church, GAAP must be observed. GAAP regulates revenue recognition, the classification of balance sheet items, and the measurement of outstanding shares. Organizational leaders and other stakeholders should prepare financial statement in accordance with GAAP.

As an essential component of a healthy and robust financial management system, institutions are required to record their policies and processes for creating and sustaining internal controls, accounting, and reporting. According to Zietlow, Hankin, Seidner & O’Brien (2018), organizational policies and practices for adhering to accounting and regulatory standards must be documented. The document is critical for defining duties and responsibilities and ensuring that truthful financial data is used to make decisions (Zaim, Muhammed & Tarim 2019). The document should serve as an effective training tool for new and existing staff, informing and guiding them through daily operations and processes.

Accounting Policies and processes should be examined regularly to determine if they need to be altered or improved, but they should not be updated regularly. Moreover, the organization should make every effort to ensure that its rules and processes are as plain and straightforward as possible to facilitate their understanding (Herrington, Bonem & Furr, 2020).

Additionally, it is critical to keep in mind that organizations must be capable of implementing any policy they choose to establish. When evaluating whether rules and processes are practicable for their business, the

organization must examine its available resources (Palepu, Healy, Wright, Bradbury & Coulton, 2020).

Accounting policies assist staff in conducting systematic evaluations of accounting transactions. Numerous accountants may be reviewing financial activity in bigger firms, and since accounting decisions involve judgment, these accountants may arrive at various accounting conclusions for the same transaction. Accounting policy provides a framework for the implementation of generally recognized accounting concepts and avoids the potential of influencing employee judgment (Adekoya, Oboh & Oyewumi (2020).

As an essential component of a healthy and robust financial management system, institutions are required to record their policies, even if they lack specialist expertise in the challenging subject. Caution is required of accounting supervisors. Accounting employees should understand how to apply accounting rules but also identify when a transaction deviates from the policy's criteria, necessitating further investigation (Leitner-Hanetseder, Lehner, Eisl & Forstenlechner 2021; Yoon 2020).

According to Lekorere, (2022), accounting regulations can improve the efficiency of the bookkeeping process by streamlining decision processes. Accounting rules may be used to automatically process basic financial transactions in a church's accounting system. Additionally, automation of accounting processes results in a reduction in inaccuracy.

Organizations also realize the significance of Compliance with Policies and Regulations, which is seen as a valuable instrument for protecting the organization's assets and image (Saad & Farouk, 2019). Compliance with regulations and norms, according to Anshari, Syafrudin, Fitriyani & Razzaq, (2022), fosters openness, accountability, and fairness for all stakeholders. In the case of churches, conformity with laws and regulations aids in constructing the system and promotes the responsibility of decision-makers (Goodman & Herzberg, 2020). Contrast this with noncompliance with laws and norms, which might hurt the institution in several ways and jeopardize attempts to foster accountability. Greater compliance is always accompanied by greater expectations for strengthening organizational accountability (Isiko, (2019). Consequently, this research investigates the following hypothesis:

H1. There is a favorable correlation between regulatory compliance and financial performance

Internal Auditing and Financial Performance

Auditing, according to Van Wyk (2014) and Murphy and Free (2016), is the process through which an auditor analyzes or inspects different books of accounts, followed by physical inventory inspections to verify that all departments adhere to a prescribed method of recording transactions. Auditing is valuable for examining and verifying accounting and financial documents to ascertain their accuracy and dependability. According to Frazer (2016), auditing involves verifying accounting data and establishing the correctness and dependability of financial accounts and reports.

The primary objective of auditing is to confirm that financial statements have been prepared following accounting principles and determine whether the financial statements produced according to accounting standards accurately reflect an entity's state of affairs.

According to previous scholars, auditing is a valuable instrument in financial management for enhancing and adding value to an organization's operations (Murphy and Free, 2016) and preventing fraud (Monisola, 2013; Trout, 2014; Roussy, Barbe & Raimbault, 2020).

According to Abdullah, Ismail, & Smith, (2018), an internal audit is an essential aspect of an organization's governance and corporate governance, including the audit committee supervising to verify that financial reporting practices are sound and compliant.

Ruth (2015) asserts that internal auditing is beneficial for conducting reviews of an organization's accounting, financial, and other activities. According to Beyanga (2011), frequent in-house audits assist in decreasing overhead, identifying opportunities for improving effectiveness, and leveraging coverage against potential performance degradation due to inadequately secured resources. Auditing is critical in organizations because it enables officials to be held responsible for financial correctness and prudent management (Roussy, Barbe & Raimbault, 2020).

Recent ecclesiastical financial scandals have raised concerns about the audit function, particularly in churches. If the audit function is not fully utilized, it would most certainly influence the financial performance of churches and related organizations.

Fraud may be significantly reduced by effective monitoring. According to Nanda, Salmiah, and Mulyana (2019), and Pamungkas, Ghozali, and Achmad (2018), oversight performed by the board of commissioners and audit committee is intended to decrease the prevalence of fraud as much as feasible via the audit committee's monitoring of the organization's financial audit by an external auditor.

In addition to overseeing the application of supervision from external auditors, the audit committee engages in the organization's internal supervision through internal audits to limit the incidence of fraud. Nanda, Salmiah, and Mulyana (2019) assert that effective audit committee oversight would unquestionably increase audit quality and prevent fraud.

Auditing, as defined by the Institute of Internal Auditors Standard (2010), is a systematic, structural examination of an organization, its activities, and the products and processes of production within the organization system.

Moreover, Boynton, Johnson & Kell (2005) and Oremade (1988) assert that auditing entails an examination and, thus, an investigation of an organization's previous history, records, and data to determine and ascertain the legality of its activities, transactions, tax reporting, and optimal quality of financial management. Internal auditing is an impartial evaluation function implemented within an organization to analyze and assess the operations undertaken in delivering services to the organization (Coetzee, Bruyn, Fourie & Plant, 2014). Internal auditing aims to help organization members, management, and the board of directors effectively perform their duties by providing analyses, evaluations, suggestions, advice, and information about the operations under scrutiny. The audit promotes cost-effective control (Coetzee, Bruyn, Fourie & Plant, 2014). Internal auditors' primary objective is to analyze and evaluate the efficacy with which the company's different organizational units perform their assigned responsibilities; internal auditors devote considerable time to studying and evaluating internal control (Irvine, 2005).

Internal auditors' skills and expertise are critical for fostering good governance and ensuring the efficient use of public resources. Internal Audit professionals should be qualified, competent, and informed to execute their jobs successfully at the audit committee level and as internal auditors. Internal auditors have to be knowledgeable and experienced (Morgan, 2009). Internal auditors' uniqueness is enhanced by ensuring their independence, expertise, integrity, and diligence in performing their roles effectively. When internal auditors perform at a high level of competency, there is a positive correction in performance, resulting in overall more effective corporate governance (Albawwat, Al-Hajaia & Al Frijat, 2021; Chen, Lin, Lu & Zhou, 2020).

Internal competence and integrity are critical for establishing good governance and ensuring the efficient use of public resources. According to (Mahyoro & Kasoga, 2021; Wan-Hussin, Fitriy & Salim, 2021), internal audit staff and the audit committee should be qualified, professional, and informed to carry out their responsibilities efficiently. The effectiveness of internal auditors is bolstered by assuring their

independence, knowledge, honesty, and tenacity to do their work efficiently. However, according to (Christ, Eulerich, Krane & Wood, 2021; Jachi & Yona, 2019; Kotb, Elbardan & Halabi, 2020), internal auditors' effectiveness is hindered by their lack of experience, skill, knowledge, and certification in auditing methods. The audit function is the most effective method for monitoring ethics and governance in government institution bodies.

H2. There is a positive relationship between Internal Audit and financial performance

Physical Assets, Financial documents Controls, and Financial performance

Physical control over assets may be clearly defined as a method of asset protection. Internal controls over the protection of assets from illegal access, acquisition, use, or disposition are a mechanism implemented by an organization's leadership to provide reasonable confidence for the prevention and timely identification of abuse and malpractice. Financial contributions, money donations, and offertories are all examples of concern; additional tangible assets include premises, checkbooks, equipment, and currency.

Financial documents are official documents that document the transactions of an entity. Churches maintain financial documents such as funds flow statements, income statements, and church balance sheets. Keeping financial documents organized is critical to an organization's success. According to scholars, physical control is one of the tactics they use to safeguard their organization's assets (Spillan & Ziemnowicz, 2011; Maduabuchi, 2021). The church's assets are safeguarded by physical control of assets and records.

These control activities include controls like, a safe, fireproofs, and locks, such as a locked door, keypad systems, card systems, employee identification cards, guards, cash registers, locked filing cabinets, fences, badge systems, computer password, or computer-related controls governing access privileges or established backup and recovery procedures. Other scholars have emphasized this position, arguing that the purpose of physical controls is to protect assets from being physically distracted; Tetteh, Muda, Yawson, Sunu, and Ayanga (2021) say that all tangible assets should be physically safeguarded, including cash, equipment, and machinery.

Nortey (2019) asserts that periodically inspecting inventory guarantees that it conforms to the control's records. According to Yohanna, Pujiningsih, and Juliardi (2021) and Peters and April (2014), one aspect of financial stewardship in the church is the physical safeguarding of church assets obtained from both external donors' and church members' offerings. As a result, they recommended that churches institute physical controls such as lockup procedures and security codes to safeguard the safety of their valuables.

In addition, churches should do an annual inventory of all physical assets, including computers, laptops, and printers. Inadequate physical controls over access to assets and financial documents may complicate fraud prevention. Physical controls, according to Bacher and Cooper (2018), are one of the most critical internal controls, although churches overlook them. Title deeds or documents must be stored in a fireproof and secure location, with the most critical documents being kept in a safe deposit box. Physical assets such as church checkbooks, books, and keys to church buildings should be monitored to further protect the church and its members. Busby (2005) recommends that buildings are insured and all church buildings are locked while not in use.

In addition to having insurance plans, church-owned vehicles and equipment should be stored behind a fence or, if one is unavailable, behind a lockable door. Departments with major capital assets or inventories should maintain permanent inventory control over these assets and inventories by tracking acquisitions and issuances. Periodically, the objects should be physically counted by an individual not involved in the purchase, authorization, or asset custody functions, and the counts should be compared to the everlasting records' balances. Investigate, resolve, and analyze missing items for any control weaknesses. If missing objects are not located, enduring records should be converted to physical counts.

Financial documents

According to Florenza (2021; Tetteh, Muda, Yawson, Sunu, and Ayamga (2021), each unit collecting cash has to guarantee that collections are appropriately secured.^[1] Cash receipts and petty cash accounts are common types of cash on hand. The following cash handling concepts will be covered in further depth: Security, reconciliation, management review, and documentation are all aspects of job segregation.

Receiving, depositing, recording, and reconciling are the four processes of cash handling. Ideally, each of the four processes would be carried out by a separate person. The goal of this separation of roles is to reduce the possibility of an employee misappropriating cash and evading discovery (Tetteh, Muda, Yawson, Sunu, and Ayamga) (2021). In a smaller church, it may not be possible to completely separate all financial responsibilities. In these cases, the small churches may depend on compensatory measures to reduce the danger of financial misappropriation.

All cash should be kept secure until it is deposited. A drop safe is ideal for church departments with frequent cash collections to prevent access to the safe's contents. Regardless of the kind of safe utilized, only supervisory and authorized staff should have access to it (Zimmerman, 2019).

Deposit records need to be recorded and kept to aid in the conduct of reconciliations. Monthly bank reconciliations must be completed, and proof must be kept that the reconciliation was done and that any problems were looked at and fixed (Faboyede 2022; Kirby 202; Caculo, 2020).

Sufficient documentation show that organizational financial statements are fair. Controls for keeping good records include making invoices and other papers that are clear and easy to understand, using pre-numbered, sequential records, and ensuring that financial documents are prepared on time (Madawaki, 2022; Khaskar 2022).

H1. There is a positive relationship between physical control of access to assets, financial documents, and financial performance

Financial Performance

Financial performance according to (Zapo & Meiden 2021) refers to an application of broad management concepts to the field of financial decision-making, reconciling individual objectives and firm goals. According to Ichsan, Suparmin, Yusuf, Ismal, & Sitompul, (2021), financial performance is the firm's operational activity that is in charge of securing and successfully using the cash required for efficient operations. Hence, financial performance is primarily focused on the appropriate administration of funds in the firm. According to Goncharenko (2019), financial success is an essential component of total management. It is focused on the responsibilities of the Church's financial management.

Financial performance is concerned with the efficient use of a major economic resource specifically, money, and deals with the acquisition of funds and their successful application in the business. According to (Tetteh, Muda, Yawson, Sunu, and Ayamga, 2021, 2021; Oteki, 2023), financial performance in churches is about managing money (funds) in a way that helps the organization reach its goals. It explains how to raise mission finances and how to apportion them to the different mission departments of fields.

Financial performance, according to Buengeler (2022), is the mechanism through which the finances of an entity are directed and regulated to help the entity reach its objectives. Financial performance procedures in churches should give information that may be utilized to: lead the organization's operations; regulate the organization's activities; report and discharge responsibility; and assure the effective and efficient use of resources.

According to (O'Brien 2020; Salehi 2022), excellent financial performance promotes openness and a genuine grasp of the statistics in churches. The benefits of financial performance emphasized by (Appiadu, 2019; Njobvu, 2020) include expert assistance in managing a church's money and assets, as well as responsibility, knowledge, confidence, and a cost offset for services. Moreover, high financial performance assists churches in developing a strategy and achieving financial objectives, and it is further defined that one of the key benefits of financial performance is access to a professional who is skilled in all aspects of church finance.

Conceptual Framework

This study's conceptual framework is predicated on the effect of Internal control practices on Financial Performance. The Independent variable of the study is Internal control Practices while the dependent variable is Financial Performance. Internal control Practices consist of accounting principles and processes; Internal Audits and physical assets and financial documents.

Financial Performance as a dependent variable consists of compliance with Accounting and Finance guidelines, transparency, proper use of funds, and adequate accountability. This study's conceptual framework is described below.

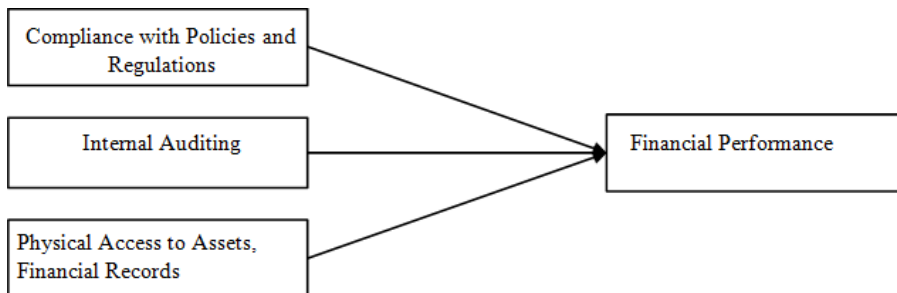


Figure 1. Conceptual Framework

METHODOLOGY

Research Philosophy

The positivist philosophy guided the selection of appropriate methodologies for this research.

Research Design

The study adopted a survey research design with a quantitative approach to explore the relationship between variables and test hypotheses.

Study and target population

All the twelve church leaders from the six Central dioceses of the Church of the Province of Uganda made up the research population.

Sampling techniques, and sample size

The sample was collected using a purposive sampling procedure that considered particular factors. Respondents in this research were chosen based on their roles as Church administrators, especially, Diocesan secretaries, and Diocesan treasurers. Here referred to as Church leaders. Who was directly involved in the administration, and implementation of financial control practices in the dioceses.

Types of data, sources, and collection instruments

The data was acquired via field research, which consisted of visiting the subject of the study in the dioceses and distributing a questionnaire. The research collected primary data from respondents by having them complete a questionnaire including a series of questions. Questionnaires were directly delivered to the respondents between April and August 2022. The questionnaire was divided into four sections: demographic information, compliance with rules and policies, internal auditing, and Physical access control to assets and financial documents.

Variable operationalization

The research proposed measuring one dependent variable and three independent variables. As the dependent variable, financial performance was the subject of this study. The three independent variables refer to Compliance with Accounting Principles and processes, Internal Audit, Physical Assets, and Financial documents Controls.

The factor of Compliance with Accounting Principles and Processes includes if: the Church has developed accounting principles and processes, whether the staff follows good and practical principles and procedures to assure accounting and reporting of financial information in the Church, and whether the Church may standardize financial transactions by following accounting principles and practices. In the Church, accounting principles and systems provide clarity, direction, and openness. Accounting principles and systems are examined regularly to maintain Church's financial success. The Church's funds are received according to established policies and procedures.

Meanwhile, the church's internal audit examined whether the church has an audit department for adequate financial performance if financial records are preserved in compliance with accounting standards and procedures and whether the church properly monitors money. Internal auditing regularly analyzes systems to verify compliance with policies, plans, processes, rules, and regulations, and financial and accounting requirements are followed. Internal auditors are educated to handle and preserve financial transactions, and the Church uses its funds responsibly.

Physical Access to Assets and Financial Documents was represented by whether: Physical control over assets and records helps protect Church assets; Internal control practices safeguard assets against unauthorized acquisitions; Cash handling duties are divided into stages at the Church to ensure financial performance; Cash collections are reconciled daily to the cash register; Financial statements are prepared by authorized personnel at the Church.

The independent variables consisted of twenty-two questions covering application, and effectiveness. Each variable was evaluated based on a five- Likert scale. The Likert scale was employed to evaluate the attitudes, and opinions of an individual, regarding social phenomena.

The factor of Compliance with Accounting Principles and Processes includes if: the Church has developed accounting principles and processes, whether the staff follows good and practical principles and procedures to assure accounting and reporting of financial information in the Church, and whether the Church may standardize financial transactions by following accounting principles and practices. In the Church, accounting principles and systems provide clarity, direction, and openness. Accounting principles and systems are examined regularly to maintain Church's financial success. The Church's funds are received according to established policies and procedures.

The element of Compliance with Accounting Principles and Processes considers whether: the Church has developed accounting principles and processes; the staff follows good and practical principles and

procedures to ensure accounting and reporting of financial information; and the Church can standardize financial transactions by adhering to accounting principles and practices. Accounting principles and methods offer the Church with clarity, direction, and transparency. Regular reviews of accounting principles and systems are conducted to ensure the Church's financial success. The Church receives money in accordance with established norms and processes.

Meanwhile, The internal audit of the church investigated whether the church has an audit department to ensure acceptable financial performance, if financial records are maintained in accordance with accounting standards and procedures, and whether money is monitored appropriately. Internal auditing evaluates systems on a regular basis to ensure compliance with policies, plans, procedures, laws, and regulations, as well as financial and accounting obligations. Internal auditors are trained to manage and safeguard financial transactions, and the Church utilizes monies properly.

Physical Access to Assets and Financial Records was reflected by whether: physical control over assets and records contributes to the protection of church assets; Internal control procedures protect property against unlawful purchases; The Church divides cash handling responsibilities into segments to guarantee financial performance; The daily reconciliation of cash receipts to the cash register; the preparation of financial statements by authorized staff at the church.

DATA ANALYSIS

The data analysis method used in this study was performed with the help of the Statistical Package for Social Sciences (IBM SPSS Statistics 20) computer program. The questionnaire data were examined using descriptive statistics, tests of data quality and assumptions, and hypothesis testing (Mishra, Pandey, Singh, Gupta, Sahu & Keshri, 2019). The data quality test is performed to determine the questionnaire's validity and dependability. The software calculations provided the researcher with tables detailing the study results. Regarding data analysis, the research employed percentages, correlation, and regression analysis to determine the effect of regulatory compliance, internal auditing, and physical access control on financial performance in the management of church funds. The findings of this study's testing of hypotheses by linear regression analysis are shown in Table 11.

RESEARCH RESULTS

This part of the study presents an objective examination of the primary findings of the investigations into the influence that Compliance with rules and policies, Internal Audit, and Physical access control to assets and financial documents have on the financial performance of the churches. The many different analyses were evaluated thoroughly and describes with the help of supporting tables. The responses to the questionnaires, followed by an analysis and a discussion, are as follows:

Reliability

Table 1: Reliability Test results

Construct	Cronbach's Alpha Values	Number of Items
Financial Performance	0.764	4
Compliance with rules and policies	0.852	8
Internal Audit	0.721	8
Physical access control to assets and financial documents	0.774	7

The reliability test indicates Cronbach's alpha range from 0.721 to 0.852. these results indicate values over 0.7. these findings show that the study questionnaire is reliable.

Participants' Description

Table 2 Participants' Description

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	11	91.7	91.7	91.7
	Female	1	8.3	8.3	100.0
	Total	12	100.0	100.0	

Source: Field data 2022

Twelve leaders from the central dioceses of the church of Uganda participated in this research. Eleven (92%) of the 12 responders were male, while 1 (2%) was female.

Table 3 Participants' age group

Age group					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	31-40	3	25.0	25.0	25.0
	41-50	2	16.7	16.7	41.7
	51 – 60	5	41.7	41.7	83.3
	61 and above	2	16.7	16.7	100
	Total	12	100	100	

Source: Field data 2022

According to the table the age span from 31 to 40 years old at a rate of 25%, 41 to 50 years old at a rate of 16%, 51 to 60 years old at a rate of 42%, and 61 and above at a rate of 17%.

Table 4 Educational Attainment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	1	8.3	8.3	8.3
	Bachelor's Degree	5	41.7	41.7	50.0
	Master's Degree	6	50.0	50.0	100
	Total	12	100.0	100	

Source: Field data 2022

According to table 4 above, the educational background of the participants ranges from a diploma to a master's degree, revealing that 8% of the participants hold a diploma, 42% of the participants hold a bachelor's degree, and 50% of the participants hold a master's degree.

Table 5 Number of Years in the Position or Department

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5-8	7	58.3	58.3	58.3
	9-12	3	25.0	25.0	83.3
	13-16	1	8.3	8.3	91.7
	16 and above	1	8.3	8.3	100
	Total	12	100.0	100	

Source: Field data 2022

In addition, the participants' job experience was taken into consideration. There were 7 or 58% of respondents with 5-8 years of service. The proportion of respondents with 9-12 years of service was 3 (25%). There was 1 or 8% of respondents with 13-16 years of service. Finally, there were 1 or (8%) of the participants with over 16 years of service.

Descriptive Statistics for financial performance

The dependent variable in this study was financial performance, which was measured using a five Likert-scale. The constructs, which measured the financial performance variable were improved accountability in the Church, proper allocation of finances, proper use of resources, and adequate financial monitoring in the Church.

Table 6 demonstrated that the majority of respondents felt that Internal Control Procedures contributed to adequate financial monitoring in the church, with the highest mean score of 4.5 and a standard deviation of 0.522. This was followed by appropriate distribution of finances, proper usage of resources, and adequate financial monitoring in the Church, all of which had a mean score of 3.917 and a standard deviation value of 3.833. In this research, enhanced accountability in the Church yielded a mean score of 3.668 and a standard deviation of 1.371.

Table 6: Mean and Standard Deviation for Financial Performance

	Mean	Std. Deviation
The Internal control practices have led to improved accountability in the Church	3.666	1.371
The Internal control practices have resulted in the proper allocation of finances in the Church	3.916	1.083
The Internal control practices have allowed the proper use of resources in the Church	3.916	1.083
The Internal control practices have helped contribute to adequate financial monitoring in the Church	4.500	0.522
Overall	4.000	0.812

Source: Field data 2022

Descriptive Statistics for compliance with rules and policies

The constructs that measured the variable were, the existence of established accounting standards and processes. Compliance of staff with solid and realistic norms and processes to guarantee the accounting and reporting of financial data, Complying with accounting standards and procedures to assist the Church in evaluating accounting transactions in a consistent way, Accounting policies and processes are intended to provide the Church with more clarity, direction, and openness. Accounting rules and procedures are reviewed often, and church funds are received in compliance with established Policies and procedures.

According to the data in table 7, the majority of the respondents felt that Complying with accounting principles and processes helps the Church evaluate accounting transactions in a standardized manner and had the highest mean score of 4.333 and a standard deviation of 0.888. with a mean value of 4.250 and a standard deviation of 0.965 Accounting principles and processes reviewed on a regular basis were revealed to be successful in ensuring financial performance in the church. Receiving finances according to the established procedures was shown to be successful.

The overall findings with a mean score of 4.179 and a standard deviation of 0.659 indicate that the majority of the participants agree compliance with rules and policies substantially affects financial performance in the administration of church finances in the central dioceses of the church of Uganda.

Table 7: Mean and Standard Deviation for compliance with rules and policies

	Mean	Std. Deviation
There are established accounting principles and processes in the Church	4.167	0.937
Staff complies with sound and practical principles and processes to ensure the accounting and reporting of financial information in the Church	4.000	1.128
Complying with accounting principles and processes helps the Church evaluate accounting transactions in a standardized manner	4.083	0.900
Accounting principles and processes are designed to offer increased clarity, guidance, and transparency in the Church	4.167	0.835
Accounting principles and processes are reviewed regularly to ensure financial performance in the Church	4.250	0.965
Procedures are followed to document records until final accounts are prepared in the Church	4.333	0.888
The Church finances are received following the established Policies and processes	4.250	0.965
Overall	4.179	0.659

Source: Field data 2022

Descriptive Statistics for the internal auditing

The constructs that examined the variable of internal auditing were as follows: Church has an audit department, financial documents are kept in line with established accounting norms and procedures, adequate financial monitoring, financial and accounting standards are followed, Internal auditing examines the systems in place on a regular basis to guarantee compliance with policies, plans, procedures, rules, and regulations. Internal auditors practice financial openness, internal auditors are appropriately educated in managing and monitoring financial transactions, and the presence of proper utilization of finances in the Church.

According to table 8, with the highest mean score of 4.500, the majority of respondents believed that internal auditing regularly analyzes the systems developed to verify compliance with policies, plans, procedures, laws, and regulations. With a mean score of 4.417, respondents agreed that financial papers are preserved following established accounting standards and procedures and that internal auditors exert transparency in financial affairs. Internal auditors have a mean value of 4.333 and a standard deviation of 0.888 in processing and preserving financial transactions. The Church’s finances are well monitored, and financial and accounting standards are followed, with a mean value of 4.250 and standard deviations of 0.965 and 0.866, respectively. The Church has an audit department, which contributes to greater financial performance, according to the lowest mean score of 3.917.

Table 8: Mean and Standard Deviation for the internal auditing

	Mean	Std. Deviation
The Church has an audit department	3.917	1.240
The financial documents are maintained per the established accounting rules and policies	4.417	0.900
There is proper monitoring of finances in the Church	4.250	0.965
The financial and accounting regulations are complied with	4.250	0.866
Internal auditing examines the systems in place on a regular basis to guarantee compliance with policies, plans, procedures, rules, and regulations.	4.500	0.674
Internal auditors exercise transparency in financial matters	4.417	0.900
Internal auditors are properly trained in handling and monitoring financial transactions	4.333	0.888
There is proper utilization of finances in the Church	4.167	1.115
Overall	4.281	0.557

Source: Field data 2022

Descriptive Statistics for physical control for access to assets and financial documents

The constructs that measured the variable of physical control for access to assets and financial documents were, Physical control over assets and records helping protect Church’s assets, safeguarding assets against unauthorized acquisitions, Cash handling duties are segregated at the Church to ensure financial performance, Financial statements are prepared by authorized personnel at the Church, Church having Asset Policy and Procedure, keeping financial documents for further references. Table 9 shows that most respondents agreed that The Church has Asset Policy and Procedure with the highest mean value of 4.5 and a standard deviation of 0.522. The respondents believed that Physical control over assets and records helps protect Church’s assets with a mean score of 4.167. Many respondents also believed that Cash handling duties at the Church are segregated to ensure financial performance, Cash collections are reconciled daily to the cash register, and Financial statements at the Church are prepared by authorized personnel all with a mean value of 3.917 and a standard deviation of 1.084, 0.793, 1.084 respectively. The least mean score is 3.666 which they approve that Internal control practices safeguard assets against unauthorized acquisitions.

The overall results with a mean value of 3.988 and a standard deviation of 0.655 suggest that the majority of the respondents approve that Physical access control to assets and financial documents is effective at

influencing the financial performance of managing church funds in the central dioceses of the church of the province of Uganda. Nonetheless, a standard deviation of 0.655 showed that answers to these statements varied.

Table 9: Mean and Standard Deviation for access to assets and financial documents

	Mean	Std. Deviation
Physical control over assets and records helps protect Church’s assets	4.167	0.835
Internal control practices safeguard assets against unauthorized acquisitions	3.667	1.371
Cash handling duties are segregated at the Church to ensure financial performance	3.917	1.084
Cash collections are reconciled to the cash register	3.917	0.793
Financial statements at the Church are prepared by authorized personnel	3.917	1.084
The Church has Asset Policy and Procedure	4.500	0.522
Financial documents are properly kept for further references	3.833	1.115
Overall	3.988	0.655

Source: Field data 2022

Correlation analysis

Table 10: Correlation analysis

	Financial Performance	Compliance With Rules and policies	Internal Audit	physical control for access to assets and financial documents
Financial Performance	1			
Compliance With Rules and policies	.825**	1		
Audit	.063	.731**	1	
Physical control for access to assets and financial documents	.941**	-.214	-.070	1

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

Source: Field data 2022

Table show Pearson correlation analyses. The results showed that the correlation values among the variables ranged from 0.63 to 0.941. The Pearson correlation between financial performance and compliance with rules and policies is found to be 0.825 which is strong and this particular correlation is statistically significant as we can see the significant value is less than 0.05 ($r = 0.825, < .001$). This shows that an increase in compliance with rules and policies would lead to high financial performance.

The correlation between financial performance and internal auditing is found to be 0.63 which is strong and this particular correlation is statistically significant as we can see the significant value is less than 0.05. This shows that an increase in audit function would lead to high financial performance.

The correlation between financial performance and physical control of access to assets and financial documents is found to be 0.941 which is strong and this particular correlation is statistically significant as we can see the significant value is less than 0.05. This shows that an increase in Physical access control to assets and financial documents would lead to high financial performance.

Regression analysis

Hypotheses in this study were tested using regression analysis with results shown in the table that follows below.

Model Summary

Table 11 below presents the regression model summary for the relationship between financial performance and the predictor variables (Physical control for access of assets and financial documents, Audit, Compliance with rules and policies). According to the findings, the R-coefficient is 0.951, which shows that the predictor variable has a high degree of positive association with financial performance in the central diocese of the church of the province of Uganda. The R-value indicates that the variables have a strong and significant association. The R-the R-Square value of 0.904 indicates that the independent variables account for 90.4% of the variation in the dependent variable, while the error term accounts for 9.6%. This demonstrates that the model is well fitting. Thus, based on the finding, it is evident that holding other factors constant, physical control for access to assets and financial documents, Audit, and Compliance with rules and policies contribute 95 of the church’s financial performance.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.951 a	.904	.868	.29484

a. Predictors: (Constant), Physical control for access of assets and financial documents, Internal Audit, Compliance with rules and policies

The Anova

The Anova results reveal that the overall regression model is significant for the data, as shown by the Anova (F-statistic) value of 25.133 and its associated value of .000, both of which were determined to be significant at the 5% level. The results, therefore, indicated that the model is statistically significant hence, the physical control for access to assets and financial documents, Audit, Compliance with Regulations, and Policies collectively have a major effect on the financial performance in the central dioceses of the church of the Province of Uganda.

Table 11: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.555	3	2.185	25.133	.000 b
	Residual	.695	8	.087		
	Total	7.250	11			

1. Dependent Variable: Financial Performance
2. Predictors: (Constant), Physical control for access of assets and financial documents, Internal Auditing, Compliance with Rules and policies

Multiple regression analysis

The researcher conducted a multiple regression analysis to test the influence of the independent variables (physical control for access to assets and financial documents, Internal Auditing, Compliance with Rules and policies) on financial performance. The results are shown in the table below.

Table 12: Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.607	.939		-1.711	.126
	Compliance With Rules and policies	.083	.203	.068	.409	.693
	Audit	.118	.236	.081	.500	.631
	physical control for access to assets and financial documents	1.192	.140	.961	8.502	.000

Dependent Variable: Financial Performance

Multiple regression analysis and Coefficient

The model

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + E$$

is used. Whereby:

Y = dependent variable (Financial performance)

B₀ = Regression's constant

B_i (i= 0,1,2,3...n)= regression coefficients for each dependent variable

X₁=Compliance with Rules and policies

X₂= Internal Auditing,

X₃ =physical control for access to assets and financial documents

E= The model error variable

Assumption:

The multiple regression model is predicated on the assumption that the value of the dependent variable is normally distributed for any given value of the independent variable and that the variances for the dependent variable are the same for each of the independent variables.

Substituting in the equation

$$Y = 1.607 + 0.082 \times X_1 + 0.118 \times X_2 + 1.192 \times X_3$$

Based on the results of the multiple regression equation, each of the variables explains that:

1. The results of the regression equation, the constant value of 1.607, and positive signs mean that the use of compliance with rules and policies (X1), Internal Auditing (X2), and Physical control for access to assets and financial documents (X3) are considered constant hence the value of financial performance in managing churches.
2. The regression coefficient of compliance with rules and policies is 0.082 and has a positive sign, meaning that every increase in the value of compliance with rules and policies will increase the value of church financial performance by 0.082 assuming other free variables are constant. If the variable of compliance with rules and policies has a positive relationship with financial performance in church finances. As a result, H1 is encouraged and compliance with rules and policies is linked to church financial performance.
3. The regression coefficient of Internal auditing is 0.118 and has a positive sign, meaning that every increase in the value of Internal auditing will increase the value of church financial performance by 0.118 assuming other free variables are constant. If the variable of Internal auditing has a positive relationship with financial performance in church finances. As a result, H2 is encouraged and Internal auditing is linked to the church's financial performance.
4. The regression coefficient of Physical control for access to assets and financial documents is 1.192 and has a positive sign, meaning that every increase in the value of physical control for access to assets and financial documents will increase the value of church financial performance by 1.192 assuming other free variables are constant. If the variable of physical control for access to assets and financial documents has a positive relationship with financial performance in church finances. As a result, H3 is encouraged and physical control for access to assets and financial documents is linked to the church's financial performance.

DISCUSSION

The effect of Compliance with Rules and policies on financial performance

The first hypothesis was that *Compliance with Rules and policies has a significant influence on church finances*. Table 12 shows that the coefficient of *Compliance with Rules and policies* is 0.83 with a p-value = 0.693. Since the p-value is less than 0.05, the hypothesis is supported by the study findings. The finding of testing the hypothesis indicated that *Compliance with Rules and policies* influences financial performance. This research confirms the previous finding of (Safkaur, 2019; Rapan, 2020; Faboyede 2022; Bingi, 2022) showing *Compliance with Rules and policies* has a good and substantial effect on financial performance.

The effect of Internal Auditing on financial performance

The second hypothesis was that Internal Auditing has a significant influence on church finances. Table 12 shows that the coefficient of *Internal Auditing* is 0.118 with a p-value = 0.631. since the p-value is less than 0.05, the hypothesis is supported by the study findings. The finding of testing the hypothesis indicated that *Internal Auditing* influences financial performance. This research confirms the previous finding of (Mawudor 2021; Gitee et al, 2019; Appiadu 2019; Harriet 2022) showing *Internal Auditing* has a good and substantial effect on financial performance.

The effect of physical control for access to assets and financial documents on financial performance

The third hypothesis was *physical control for access to assets and financial documents* has a significant influence on church finances. Table 12 shows that the coefficient of *physical control for access to assets and financial documents* is 1.192 with a p-value = 0.000. Since the p-value is less than 0.05, the hypothesis is supported by the study findings. The finding of testing the hypothesis indicated that *physical control for access to assets and financial documents* influences financial performance. This research confirms the previous finding of (Faboyede 2022; Kabongo 2021; Letamora 2019) showing *physical control for access to assets and financial documents* has a good and substantial effect on financial performance.

CONCLUSIONS

The study indicated that Compliance with Rules and policies influences financial performance. This conclusion confirms the previous finding of Baah, Opoku-Agyeman, Acquah, Agyabeng-Mensah, Afum, Faibil & Abdoulaye, 2021; Kalyar, Shoukat & Shafique, 2020) showing Compliance with Rules and policies has a good and substantial effect on financial performance.

The research showed that Internal Auditing influences financial performance. This conclusion confirms the previous finding of (Abbas, Ismail, Taqi & Yazid, 2021; Al-ahdal & Hashim, 2022; Kaawaase, Nairuba, Akankunda, & Bananuka, 2021) showing Internal Auditing has a good and substantial effect on financial performance.

Results indicated that physical control for access to assets and financial documents influences financial performance. This conclusion confirms the previous finding of (Lin, Law, Ho & Sambasivan, 2019; Roszkowska, 2021) showing physical control for access to assets and financial documents has a good and substantial effect on financial performance. Although these studies were done in other geographical areas, the conclusions may apply to the church of the province of Uganda as well, given that the church applies the same principles of organizational performance.

The study would help the management in the central dioceses of the church of the Province of Uganda understand and find out the significance and effects control practices and financial performance on the achievement of Church goals and objectives.

The Church of Uganda would use the results of this study to fix challenges and strengthen strong areas of its Internal control practices for better financial performance.

Future researchers would use the findings of this study to getting related literature regarding control practices and financial performance of Non-Profit-Organizations. The study deepened the researchers' experience in research related to church financial management and academic career.

Although this study has achieved its objectives, some limitations are to be noted. One of these drawbacks is that this research relies on original data acquired through a questionnaire. As no mutual explanations were offered concerning the questions or comments, this allows for a perceived disagreement between the research and the respondents.

RECOMMENDATION

Further, respondents may provide responses that do not accurately represent the problem. Because the research only included 12 church leaders from the central dioceses of the church of Uganda, the findings cannot be generalized. Further studies may include additional variables to offer a more accurate picture of

the variables' impact on financial performance. It is also suggested that future studies widen the sample coverage to reach a bitter degree of generality.

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FOOT NOTES

[1]For the sake of this discussion, “cash” refers to currency, coins, cheques, and money orders.