University of Ghana Business School

FINANCIAL MANAGEMENT OF CHURCHES IN GHANA: A CASE STUDY OF LEGON INTERDENOMINATIONAL CHURCH

BY

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DECLARATION

I do hereby assert that this long essay is the result of my own research. This work has not been presented for any academic award firstly at the University of Ghana, Legon or at any other university around the world. The various references which have been used in this study have been fully acknowledged. Any shortcomings in this long essay are my sole responsibility.

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CERTIFICATION

I hereby certify that this long essay was supervised as per the procedures which have been laid down by the University.

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PROF. GODFRED BOKPIN DATE

(SUPERVISOR)

DEDICATION

To God all mighty for His grace and to Dr. and Mrs. Pino Akotia for their immense support over the years

ACKNOWLEDGEMENT

I would like to acknowledge and appreciate my supervisor Prof. Godfred Bokpin for his guidance in getting this work completed. I would also like to thank Miss Millicent Awuku, Miss Gertrude Hagan and Miss Susanna Tetteh for their contribution to this work.

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LIST OF ABBREVIATIONS

AGM Annual General Meeting

CAM Church Administration Ministry

COE Committee of Elders

FAPD Financial and Administrative Policy Document

FM Financial Management

IFRS International Financial Reporting Standards

GAAP Generally Accepted Accounting Principles

GDP Gross Domestic Product

LIC Legon Interdenominational Church

MBA Master of Business Administration

NGO Non-Governmental Institution

NPO Non-Profit Organization

PAYE Pay As You Go

RDT Resource Dependence Theory

SME Small and Medium Scale Enterprise

UG University Of Ghana

USA United States of America

ABSTRACT

This paper reviews the financial management system of the Legon Interdenominational Church in light of the financial mismanagement issues of misconduct arising in recent times. It focuses on the cash management, investment management and internal control and accountability mechanisms of the church as they present a more reflective depiction of the entire system.

It was a qualitative study that employed the use of interview, observation and document reviews as tools to appraise the system of the church. McKinsey's 7S model was used to analyse LIC as an organization and thematic analysis was used in the analysis of the data in order to attain a detailed understanding of each component in the system. Data validity, reality and saturation are ensured to improve the quality of the findings.

The strengths of the church are evident in its formalized structure and procedures. The crystallized processes, professionally trained staff and volunteers, a corporate governance system (COE) who guide and monitor all activities, a good records-keeping culture and a good brand name with regards to its integrity in all of its dealings strengthen the framework of the church. However, they face a few weaknesses; the lack of a functional manual and the nature of appointment unto the COE. There also seems to be an information gap where some significant is unknown to key personnel due to time lapse. The church is also presented with opportunities in light of this global and technological age that yields resources that would support a financial system to be as firm and transparent as possible. . For instance, the use of cloud servers and other technological advancements, stable cash flows and little intervention from political and other regulatory authorities. The main threats are the political and economic variables that could affect operations or standards.

The study proposes a review of the management policy of the church as it is out-of-date. The basis of selection unto the main church board should also be reviewed to accommodate the constant presence of a financial management professional. They are also encouraged to continue investing in the resources that they currently possess such as technology, skilled staff, among others so as to maintain a robust system.

Chapter One

Introduction

1.1 Background Of The Study

The church has been identified as the largest and one of the most significant groups in the world (Harris 1990; Booth 1993). The world is estimated to be composed of about 2.3 billion Christians, which is 33% of the overall population, and is expected to reach 3 billion by 2050 (Pew Research Centre, 2017). In Ghana, 71.2% of the population professes Christianity, as at the 2010 national census (Ghana Statistical Service, 2010; Worldatlas, 2017). The main object of the church has been the spiritual and moral development of its members. However, focus has also been on the development of their mental, social and economic well-being. Consequently, a number of churches are embarking on developmental projects in their communities and even on a national scale (Mpesha, 2003; Amoah & Gyimah, 2014). They also invest in the educational and psychological needs of their members and the society at large. The church has hence gradually become a development partner in all societies. In order to undertake these activities, the church requires funds.

The church receives its funds from members, donor groups and indeed the general public (Lightbody, 1999; Gruber, 2004; Ahiabor & Mensah, 2013; Mitchell, 2015). There is therefore the need to account for the use of funds to the funding sources. Despite the many favourable attributes, the church has been engaged in many financial scandals. In 2007, Rev Michael Jude Fay was sentenced to 37 months in jail after he pleaded guilty to pilfering $1.3 million from his church in Darien, USA (New York Times, 2006. Also, Prince Dzah, an associate pastor of Winners Chapel International, Aflao was arrested for stealing GHS 18,000 from the church (Ghanaweb, 2013). In addition, the National Executive Council of Voice of the Lord Church fired their President for misapplication of funds and poor financial management. He was accused of misallocating funds, unilaterally acquiring loans for projects on the church's behalf, running down the education fund, among others (Ghanaweb, 2018). According to the Centre for the Study of Global Christianity (2015) an estimated $50 billion of funds from Christians was lost to fraud and embezzlement with about $1.3 billion perpetrated in Africa. The Religious Financial Fraud report (2017) also recorded that Christians committed crimes worth about $ 59 billion in 2017.

These events have further intensified the scrutiny on the financial management system of churches. The leadership of some churches has sought to prioritize their general management approaches (Shaibu, 2013; Ahiabo & Mensah, 2013). This has led to the rise in expectation of the church to improve its financial management systems so as to guard against losing its reputation as the trustworthy custodians they were seen to be in the past. The church aims to manage funds above reproof by maintaining high standards (Shaibu, 2013) so they could be the benchmark for society, they are meant to be in Matthew 5:13. Consequently, it is prudent that adequate and effective financial management systems and processes are adopted and implemented (Harris, 1990; Booth, 1993; Shaibu, 2013; White & Acheampong, 2017). Moreover, the further rise in interest of the church's financial management system is also attributed to the large amounts the churches' receive from the public. This makes stakeholders and the public concerned about the management of such large amounts. The funds made available to churches by their members and donors continuously experience exponential growth as the years go by. Church members have thus begun to show more and more interest in how these funds are managed. At general meetings the churches hold to account for activities and resource usage, a lot more of the enquiries made were financial management. For instance enquiries about the rising operational costs of the church, the nature of insurance adopted the methods of accounting presentation used, among others. The table below illustrates the cash flows of the church for the period 2013-2018.

Table 1: Income Statement of Legon Interdenominational Church

	2018 (GHS)	**2017 (GHS)**	**2016 (GHS)**	**2014 (GHS)**	**2013 (GHS)**
INCOME	4,120,442	3,606,840	3,609,759	1,953,639	1,531,181
EXPENDITURE	(2,485,392)	(2,488,908)	(2,083,231)	(1,539,805)	(1,183,386)
EXCESS OF INCOME OVER EXPENDITURE	1,635,050	1,117,932	1,526,528	413,834	347,795

Source: Annual General Meeting Documents

There is the need for a framework that clearly specifies how funds should be managed. The framework may include; policies, strategies, procedures and processes guiding mobilization; banking and cash management; investment, disbursement, auditing, records and information management activities (Public Financial Management Act, 2016). This framework is what is usually referred to as the financial management system. It must however be noted that the financial management systems and standards of the church have to be unique and tailored to suit their operations as they are nonprofit organizations. Various churches have thus put procedures and systems together over the years to suit the technicalities of the church's operations.

Financial management considers how to plan, operate, control and account for all the financial resources in an organization. Mainly through policies, the goals of the organization are expressed and implemented in financial terms and facilitates goal attainment. The main financial components of the church that have been of interest to researchers are cash management, investment management, internal controls and accountability (Leach, 1960; Laughlin, 1988; Harris 1990; Booth, 1993; Gruber, 2004; Agyei & Kusi, 2006; Shaibu, 2013). These components deal with how to manage finances even before receipt, to how the usage is reported to the stakeholders. The identification of each component allows for a complete insight into the whole financial management system of the organization, giving a more reliable expression of the quality of the management of financial resources.

1.2 Problem Statement

Many studies have been undertaken all over the world aimed at understanding the unique management systems of the church (Leach, 1960; Laughlin, 1988; Harris 1990; Booth, 1993; Gruber, 2004; Agyei & Kusi, 2006; Shaibu, 2013). Most of these studies have however focused on discrete aspects of the financial management scope such as accounting and communication, internal controls, investment policy, among others instead of considering the whole system, hence failed to bring in-depth understanding to how the entire financial system operates. That is, evaluating a single financial management component is not enough to give a true reflection of the efficiency and effectiveness of the financial management practices of an entity.

The number of studies carried out to enable the understanding of the financial management in churches, especially in Ghana, is inadequate compared with the exponential growth the church is experiencing, and the perception of increasing financial mismanagement and malpractices associated with them (Agyei & Kusi, 2006; Ahortor, 2009; Shaibu, 2013;

Ahiabor & Mensah, 2013; White & Acheampong, 2017). Justification for the lack of such studies over the years is the difficulty in accessing available and accurate data. The few studies done as stated above also focus mainly on the orthodox churches (especially the Catholic, Anglican, Methodist and Presbyterian churches).

The findings of some studies identified inadequate financial management practices, poor stewardship, lack of internal control systems and generally low interest or investment in financial literacy in the respective churches (Leach, 1960; Laughlin, 1988; Harris 1990; Booth, 1993; Agyei & Kusi, 2006; Shaibu, 2013).

1.3 Purpose Of The Study

The reliance of the church on financial contributions from members, which can be likened to reliance of banks on deposits from the public, places an onus on the church to be accountable and effective in all its dealings. The perception is that, effective financial management has not been practiced over the years especially as many church leaders focus on spiritual matters and are of the notion that giving attention to matters that were not 'spiritual' would let the church stray from its core mandate, which is spiritual guidance and teachings. The lack of or inadequate interest and resources in this area have led to many church scandals as well as mistrust in the operations of churches.

This study thus sought to explore the untapped area of financial management of churches in Ghana. Using the case of a single church to describe a financial management system of the church, the study focused on three main components which are cash management, investment management and internal controls and accountability. The study sought to identify and evaluate the main financial management components of a non-orthodox church to give a comprehensive understanding to its financial management system.

1.4 Research Questions

The study would therefore answer these questions.

- What is the cash management system of the church?
- What is the investment management policy of the church?
- How effective are the internal controls and accountability measures in place

1.5 Objectives

This study sought to generally review and understand the existing financial management systems in the church. The specific objectives are:

- Appraise the cash management system of the church
- Appraise the investment management system.
- Appraise the internal control and accountability measures in place and their effectiveness.

1.6 Proposed Methodology

The methods and manner in which the study was conducted are described below

1.6.1 Type of Study

This study was undertaken using qualitative methods. The qualitative approach seeks to identify and understand the financial decision making players and processes as well as fund management processes and their adherence to stipulated guidelines.

1.6.2 Research and data collection strategy

The research required the use of a review of financial documents such as the financial policy and annual reports to assess the stakeholders and their level of knowledge and compliance to the laid down procedures. Interviews and direct observation were also employed to ascertain how the entire system and its processes are managed.

1.6.3 Research Setting

The study was conducted on the Legon Interdenominational Church (LIC), a non-orthodox church located in Accra, Ghana. Its non-orthodox nature means it would not have the complex and replicated systems of the traditional or orthodox churches. That is to say that, emphasis is thrown on how and independent church with no branches or parent congregation operates. The study focused on the administrative and financial staff and operations as well as the members of the finance ministry of the church and other identified role players.

The research was dedicated towards understanding the cash management, investment management and internal controls and accountability as the joint proxies for financial management. Data on the sources of funds, recording of data, supervisory roles, allocation of cash, investment policy, types of investments, management structure, benefits derived from investments, and independence of management were sought.

1.7 Significance of the Study

This research was carried out to fulfill a requirement of the Master of Business Administration (MBA) finance qualification. However, it is my hope that it would be of immense help to future researchers, practitioners as well as to policy makers in crafting necessary policies for financial management in churches in the country.

The output of this study if adopted, will aid church financial managers, accountants, treasuries, among others to gain a better understanding of the necessity in and need for improving their financial management systems by instituting measures aimed at ensuring accountability and fidelity in the church's financial management system.

It would also be of help to the leadership and members of churches by enabling them to understand how their church is performing financially, detect issues that need attention quickly, make informed decisions on their finances and how they are managed and reduce the incidence of financial scandals in the church.

1.7.1 Future Research

This research will help future researchers to identify untapped and under researched areas with regards to the financial management of churches. It will serve as a blueprint for explanatory studies on the financial management of churches. Thus, the study will contribute to the scholarly works and literature in the field of studies regarding the financial management of the church and related organizations.

1.7.2 Practice

It is hoped that this study and derived recommendations, would serve as a model to guide churches seeking to institute financial management systems to adopt these practices.

1.7.3 Policies

The outcome of this study would provide guidance in policy making, regarding the management of church finances. This would enable leadership to build more confidence and trust in the church; motivate members or even the society at large to offer more funds in support of the church's programs as they would be assured that their funds are being used for the right purposes which would eventually be of benefit to the entire society. The government may even be willing to formulate more favorable policies for the church so they would be able to continue their role as development partners.

1.8 Limitations and Delimitations of the Study

The study is a decisive and informative one, throwing light on the financial management processes. However, it was not without its on roadblocks.

1.8.1 Limitations

The nine month time frame was not enough for the researcher to delve into the issue as comprehensively as would have been desired. This also informed the decision to focus on one church so the time would be invested in identifying and evaluating all possible aspects of the subject matter so as to make the study as comprehensive as possible.

The use of a case study arguably has many limitations, however it allows for a level of research that was commensurate with the nature of results expected.

1.8.2 Delimitations

The research targeted a non-orthodox church, overlooking other denominations whose practices could have impacted the study in other ways or brought up new dimensions not observed in the non-orthodox church. Also, the scope of financial management is limited to cash management, investment management and internal controls and accountability. This is because they are the main functions or areas of finance most churches engage in hence the subject of majority of church related research. They are the significant factors that affect the financial stance of a church.

1.9 Thesis Structure

The thesis is presented in five chapters. Chapter one gives the background of the study, identifying the problems in literature it seeks to solve hence its purpose. It enumerates the research questions and objectives, whilst ascertaining its significance. Chapter two attempts to create a clear picture of the conceptual and empirical framework on which the study is based, this sets the tone for a comparative analysis with the findings of the study. Chapter three describes the methodology of the study, whilst chapter four is a presentation on the analyzed data and findings. Chapter five summarizes the findings of the study, conclude and provide recommendations.

1.10 Conclusion

The chapter introduces financial management and elaborates on its apparent importance in the church especially in recent times. The problem and purposes of the study are also discussed, throwing light on the relevance to society. This aids in the development of research objectives that were addressed using the designed methodology. The significance, implication and applications of the study are also discussed.

Chapter Two

Literature Review

2.1 Introduction

This chapter reviews literature on the scope of the topic. It includes theoretical underpinnings and empirical studies on financial management and its components; namely cash management, investment management, internal control and accountability, as defined for this study. The theoretical framework evaluates some theories and highlights the significance and growing need for financial management in its entirety in the church. The empirical review looks at various studies undertaken in the area, focusing on the components of the financial management.

2.2 Concepts Brief

2.2.1 The Church as an Organization

The church is composed of a body of Christian believers, sharing the same creed and acknowledging the same ecclesiastical authority. Persons join churches for various reasons, however, generally, they do so to practice their faith and share it with others to convert them into their fold. The church may therefore be said to be composed of a group of persons joined together for some common interest and hence classified as an organization.

The church, like all organizations are created with a vision which is operationalized through a mission to attain its purpose. Since organizations comprise individuals with varied aspirations and purposes joining the organization, the persons involved need to share and have a common understanding of the vision and how to operationalize it through a common shared mission. In order to remain focused to maintain its existence and achieve its purpose, it must consciously develop a strategy towards achieving its vision. Also, as an organization grows, a structure is required for assigned roles, responsibilities and relationships required to operate the shared strategy. Staff is required with requisite skills and competencies to make the system of procedures, processes required work. Appropriate leadership with leadership style and skills is required to motivate staff and facilitate realization of strategic goals is necessary. Shared values are the values, standards, vision and corporate culture .As an organization, the church needs to plan its programmes and activities, organize requisite resources for implementation of its activities, monitor and control how the activities are undertaken and finances managed towards goal realization. Since the internal and external environments must interact for an organization to achieve its purpose, all stakeholders need to share a common understanding of the purpose and how it is operationalized to enable them play their roles and responsibilities efficiently and effectively, particularly, in resource mobilization and use (Shepherd & Yeo, 2005).

2.2.2 Financial Management

Financial management, according to Paramasivan and Subramanian (2012) is defined as the acquisition and effective use of funds. It is further elaborated as the efficient and effective management of financial resources by planning, controlling, leading and directing a firm's resources to maximize value (MSG, 2018). The plans, controls, leadership and directing are usually derived from the constitutions, policies or guidelines of the organizations or regulators to promote efficiency, eliminate fraud or misdemeanor and overall to promote public confidence in the activities of the organization whilst staying true to mandate as stewards.

Financial management planning refers to the determination of how goals and objectives will be met (Wikipedia, 2019). Each objective comes with associated activities, tools and equipment and human resources with relevant skills to facilitate their implementation, hence the need to project the funding that would be required at each stage to ensure goal attainment. In effect, it helps identify how much to spend or invest at each point in time as well as preparing beforehand so these goals are met in a timely manner. Budgeting and cash management are a core part of financial planning.

Financial control is an essential part of ensuring sound financial management practices are implemented as expected. Internal control measures ensure the plan is followed efficiently and effectively whilst protecting the organization's assets. In other words, controls ensure that management acts in the best interest of the organization through coordinating and supporting activities whilst monitoring the processes. Financial controls promote reliability and ensure that all financial activities are adequately represented and free from material misstatements.

Leading and directing is when management uses the plans and controls outlined to implement set strategies towards the attainment of the set goals. The process hence involves, but is not limited to dissemination of information on the policies, plans and strategies whilst coordinating the activities and motivating the team.

2.2.3 Investment Decisions

These refer to the amount or proportion of funds allocated for investment purposes. These investments can have varying maturities depending on their purposes or intent of establishment. Long term investments, also known as capital budgeting is expected to have maturities exceeding a year. Short term investments which are for working capital management purposes mature within a year, they are hence highly liquid. The investments may either be employed in portfolio investments such as shares and bonds or business investments like guest centers, shops, among others (Amoah & Gyimah, 2014).

2.2.4 Internal Control

These refer to the rules, guidelines and procedures put in place to ensure the integrity of financial information and prevent material misstatements. It is necessary to build the trust of stakeholders and donors. Internal controls ensure that the operations and activities of the churches are in accordance with predetermined policies and their corresponding financial representation in the financial statements is true and fair. This means that the level of accountability is high and can be trusted as a positive and true representation of the acquisition and use of funds. Five main components are usually considered to ensure an effective internal control system (Kaplan Financial Knowledge Bank, n.d), these are;

- ❖ Control environment refers to the authorities, framework, procedures and policies that facilitate or form the foundation for carrying out internal controls. These include Boards of Directors, Board of Trustees, policy statements, and guidelines, among others.
- ❖ Risk assessment refers to the systems put in place to identify the various risks that are likely to be faced based on the objectives identified and how the organization seeks to prevent, minimize or manage these risks
- ❖ Control activities refer to the actual control procedures listed in the policies and frameworks that the organization would undertake to ensure compliance
- ❖ Information and communication refers to how management disseminates these policies to the staff and all stakeholders to ensure all understand the policies and their respective implications.
- ❖ Monitoring refers to systems put in place to oversee and evaluate the internal control procedures.

2.2.5 Cash Management

It is the process of collecting, managing and using cash. It is essential in matching inflows with outflows and ensuring transparency and cash position visibility (Kenton, 2018).

2.3 Analytical Techniques

The study is being carried out to understand the context and approach to which financial management is practiced in LIC. Two analytical tools were employed; McKinsey's 7s Model to review the church as an organisation and Thematic analysis to conduct analysis of the financial management system.

2.3.1 Mckinsey's 7s Model

In order to understand an organization and whether it is positioned to attain its set objectives, it is necessary to assess the quality and robustness of an organizations capacity. The output of this assessment outlines the current state of the resources the organization has and serves as a basis to determine if the organization can attain its goals. Mckinsey's framework outlined 7 elements that could guide in the analytical process. These are strategy, systems, structure, style, shared value, staffing and skills.

Strategy – Defines the purpose of the organization and the how it seeks to enhance its competitive advantage

Structure- How the organization is structured, which hierarchical layers are defined and how they relate to one another in operations and communication. **Systems-** Systems are all formal and informal methods of operation, policies, procedures, processes and mode of communication flow. There is the need to identify and establish whether the systems are documented, known and applied by all staff and stakeholders.

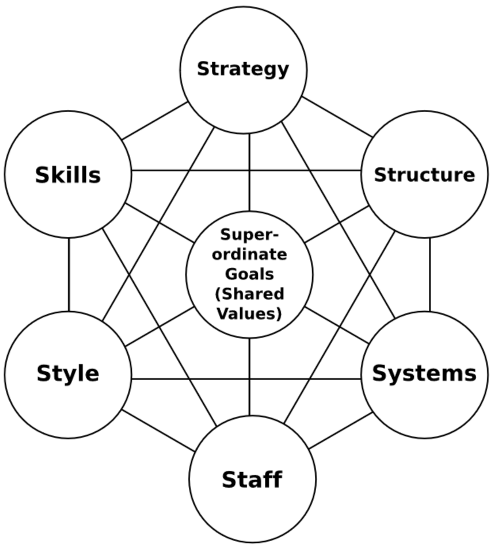
Style- Style is all about leadership and management styles which may be related to the professional level of the staff and how their skill set is applied. It could be authoritarian, participatory, laiser-faire or democratic. It is pertinent for leadership to know the context of the organization to apply the appropriate style to get the needed results.

Shared values- The standards, values and forms of ethics practiced in an organization influences corporate culture and identity and are key to the performance of staff and stakeholders and the realization of its objectives.

Skills- These are the know-how required for the operations of activities of the organization and by the staff.

Staff- This is about attributes of the employees, their competences and job descriptions.

Figure 1: McKinsey's 7s framework.



Source: Van Vliet, 2010

2.4 Theoretical Review

The research is based on two main theories; the stewardship theory and the resource dependency theory. The theoretical underpinnings of the study are expressed below.

2.4.1 Stewardship Theory

The stewardship theory introduced by Davis, Schoorman and Donaldson (1997) purports that managers are responsible for assets they are put in charge of. Theorists believe that managers would do everything in their power to promote the organization's agenda, at the expense of their parochial interests as long as their activities are within the confines of the constitution or policy they are under (Davis, Schoorman & Donaldson, 1997). It is believed that managers in themselves are motivated to attain set goals and maximize shareholders profits, unlike the propositions of the agency theorists who believe managers and shareholders goals always diverge and that managers only desire to serve their personal interests (Davis and Donaldson 1991). Davis & Donaldson (1991) believe that any distinctions identified in the actions and performance of managers should be attributed to the organizational and structural differences. Investigations to promote performance hence should be directed towards availability of resources that facilitate performance and not the motivation of managers.

The objectives of the steward and principal would not always be aligned, this is essentially impossible. However as the steward places more importance on attaining the collective objectives of the organization, those are prioritized. His behavior is thus considered "organizationally centered" making him trustworthy (Davis, Schoorman & Donaldson, 1997). Furthermore, Davis et al. (1997) explain that the steward is not to be seen as a person who has no personal interests. The steward believes not only in the supremacy of the organizational goals to his own goal, but also identifies that it is embedded in that of the organizations'. Therefore, if the organizational goals are met, his own goals would automatically be satisfied as well. The organization under this theory can reduce resources allocated to monitoring and administration of extra controls aimed at ensuring performance as the steward is in effect attaining his own goal as he attains that of the organization.

The main limitation to this theory hence the reason why principals maintain agency theory and its prescriptions is that the principal would have to risk their wealth on the assumption that the steward would work in their interest, a risk averse investor may not be willing to make such an assumption and would therefore prefer to walk on the side of caution and apply the precautions of the agency theorists. However, the benefits of a steward far outweigh this limitation.

Similar to Tanui, Omare and Bitange (2016), the stewardship theory has been adopted for this study as the clergy and church management have been entrusted by the congregation to manage their resources effectively, believing that the church's interests would be prioritized in all situations. The church has become aware of the fact that focusing on 'just the spiritual' aspects only without paying attention to the management of its resources would not aid in attaining the objectives of the church and this will promote mismanagement of resources (Laughlin, 1988). There is thus a need to appoint leaders (stewards) who would manage the resources and activities in the stead of the congregation so as to promote the mission and vision of the church.

2.4.2 Resource Dependence Theory

The resource dependency theory (RDT) as proffered by Pfeffer and Salancik (1978) purports that no organization is an island, and that, every organization has its publics with which it interacts for its relevance and existence. Each organization requires resources from their environment to survive hence organizations must respond to their environment.

This emphasizes the position of the church as a nonprofit body that fully depends on contributions (offerings and tithes) from members, donations, grants among others for its operations. As resources are becoming more and more limited, organizations; whether profit or nonprofit, compete fiercely for these limited resources. The allegation of corruption and mismanagement in the church is not a good element in this solicitation process. Any rational person would prefer providing resources to an organization that they are positive would use the funds for its intended purpose (Agyei-Mensah, 2016). The effective and efficient use of funds can only be proved by adopting sound and holistic financial management practices and consequently communicating (accounting) to the donors (members and nonmembers) periodically. This has become a necessity and not a luxury as behaviorists have noticed that people change based on what they want. If the church wants to continuously get resources (souls and money), then they have to be willing to put in the financial management measures required to attain them. The main criticism of this theory is its inability to measure or ensure healthy financial performance (Hillman, Withers & Collins, 2009). That is, the fact that there are good management practices does not ensure a positive outcome in terms of performance which is a better indicator of effective management. This is because a firm may focus on good management practices frameworks and not implement them or implement them poorly. However, if they focus on financial performance the good practices would be an implied feature and one can also evaluate the results.

2.5 Empirical Review

2.5.1 Financial Management in the Church

A church may be likened to any profit making business despite its non-profit nature (Pallock, 1991). Its governance, structure and operations must hence be managed based on good business management methods for it to survive. It may thus be dubbed as 'the Lord's business' therefore "all things must be done decently and in order" (NIV, 2011). Most churches around the globe have their own prescribed constitutions; set of rules, procedures among others that they have custom made to suit their operations (United Church of Christ, 2010).The entirety of a church's management structure must be well organized so as to attain a good financial management posture. Management structure is the blueprint of the overall plan of an organization. The above proves the essential state of having good management structure in order to promote sound financial management.

In order to achieve the primary goals of the church, which are to spread the gospel, welfare facilitation and promotion of prayer, it is of great importance to acquire funds. These funds are attained from various sources; offerings, tithes, donations, grants, among others (from members and non-members). The church has over the years been adopting financial management processes (Leach, 1960) so as to improve revenue generation whilst managing costs. This is so because, they have realized that without proper financial management, the institution of the church and its intended relevance may not be sustainable as found in Australia (Irvine, 2005). The notion of separating the 'sacred' –referring to the religious things from the 'profane' – worldly things (of which financial management is considered as part of) as proposed by Durkheim (1976) was by no means generally accepted and over the years has been proven to be flawed (Stark, 1999).

The diversities in the nature, funding and purpose of the church's money also call for skilled and knowledgeable management. Agyei and Kusi (2006) underwent a research in the Ashanti Region of Ghana, evaluating the financial reporting practices and identified the that only 26.7% of churches kept proper books and adhered to accounting procedures; also, 67.6% did not disclose the financial state to their members, whilst 67% of the finances were controlled by pastors (irrespective of their financial management knowledge). These findings were stated as a remedy for mismanagement and fraud and was suggested that an independent commission be set up to regulate the operations of churches in Ghana. The existence of such issues has been going on for a long time. Laughlin (1988) proposed that before anyone is entrusted with the management of funds, they should understand the specific and unique procedures and qualifications needed to adequately manage church funds.

In an attempt to improve financial management, the church encouraged dedicated members who were willing to take charge of the financial management processes (Irvine, 2005). Boothe (1993) like Laughlin (1988) also agreed that the clergy and occupational members be put in charge of the finances as a means of separating the 'sacred', from antithetic practices. They believed that the hiring of professional managers, especially those who are not church members (as is common today) may be detrimental to the progress of the main goals of the church. Kluvers' study (2001) also stated that denominational differences could attribute to the decision to hire external professional or occupational members. It was found that churches with congregational governance; that is, governance by church members (which is evident in today's charismatic church) are more likely to hire people who would stay within the boundaries of their local religious laws. This would hence reduce disparities in principles as the members have a hand in the governance. In summary, it has been proven that good quality management practices, coupled with competent personnel would improve work quality and hence financial performance (Huselid, 1995).

Once the financial managers are set, the next issue to be dealt with is the acquisition of such funds as there would be no point in having financial managers without having funds to manage. As stated earlier, church funds have many sources. Funds from the various sources are provided for various reasons; commitment to goal attainment (Laurie & Larry, 2008), warding off drawbacks and ill-manners of wealth accumulation (Martin, 2009), sense of empowerment (Devaka, 2012), among others.

Mitchell (2015) observed that over the years non-profit organizations (NGOs) were continuously adopting financial management practices. Those could be attributed mainly to the increasing expectation of society as a whole and donors in general for the NGOs to conform to the finance and disclosure standards provided. There was also the belief that financial management practices would stifle the growth of the church as they were seen to be static as against the dynamic external environment. It was found that NGOs that were not fiscally lean were able to adjust their operations to the changing environment hence stand the test of time. They were thus encouraged to build upon their financial management practices and build their fiscal capacity. Those who were found to be fiscally lean were as such because of the view that it is more virtuous. Adverse economic conditions however is not a respecter of virtue, hence they were also advised to build capacity.

2.5.2 Cash Management in the Church

Shaibu (2013) analyzes the management of offerings in Cape Coast, Ghana, in the era of increasing incidence of corruption and pilfering in order to salvage the reputation of and build confidence in the church as an institution. He sought to determine if there were systems and infrastructure put in place to facilitate proper financial and human resource management and the publishing of accounts. Though the Ashanti Regional churches had these systems in place there was little compliance, as was found in Agyei-Mensah's (2016) study as well. This was largely attributed to lack of transparency and supervision. Some recommendations were constant reviews, training, rewards for compliance etc.

The study of Woodbine (1997) on local Australian churches was to evaluate the claim of the churches that they had safeguarded the cash management processes so as to reduce the fraud levels to which control systems are employed. Like most papers in the 1990's it was motivated by the high incidence of fraud and mismanagement in the church. It was further motivated by the claims that accounting practices employment by churches was merely a claim (Booth 1993).

Cash is one of the most difficult resources to manage in the church due to the irregular inflows and lack of documentation (in most instances). Some control measures enumerated by Woodbine (1997) in his Australian study are counting committees, segregation of duties, use of individual envelopes, cheques, immediate banking of cash on receipt. It was also identified that the following could affect the level and effectiveness of controls employed; the size of the church, rate of growth, leadership turnover, treasurer turnover, size of offertory among others. Some administrative factors that were evident include cash policies, skill-set of staff, audited accounts. This is contrary to the findings of Amoah and Gyimah (2014).

2.5.3 Investment Decision In The Church

A common rationale behind investments is the excess of inflows over expenses, this is however a notion that is flawed. Organizations with higher levels of financial knowledge incorporate the intentional allocation of funds to be employed in investment opportunities. This is to allow the church meet its spiritual and socio-economic goals (Mpesha, 2003); especially as the dependence on the traditional sources of inflows (offertory, tithe and donations) may not always be able to meet all of the church's needs as they arise. Christians are to be innovative in strategies towards fund acquisition (Ghanaian Times, 2010). These investments and their prospective returns are not only essential for the benefits the church would derive from them but the contribution it would make to the society as a whole expressed through additions to the Gross Domestic Product (GDP) through taxes.

Christian investments in the USA first ensure that the investments are in line with their belief and that they can use their positions and power in these investments to influence the corporate social behavior (Denver post, 2013). This is seen in Walmart as some employees have stated that they joined the corporation due to their pro family beliefs and strong beliefs in gender equality which is imbibed in the corporation due to their Christian founder Walton (The Harvard Gazette, 2009)

The main areas of interests are the scope of investments, the management structure of the investments and the use of the investments, returns inclusive.

Amoah and Gyimah (2014) undertook a case study of churches in the Kumasi Metropolitan area of the Ashanti Region in Ghana looking at the broad categorizations of Christian council (Anglican, Methodist, Presbyterian, Assemblies of God and Baptist) and Catholic churches respectively. The study sought to determine the demand for and utilization of investments and how these investments are managed and operationalized, considering possible challenges. They discovered that the churches engaged more in business than portfolio investments. Some of such businesses are transportation, book stores, guest houses, printing presses and hostels. The businesses identified were operated on a small scale. A few churches had designated Boards whose sole duty was to manage such business investments. This promoted bureaucracy and delays in decision making as the businesses without such boards would have to wait for the church's board meetings to table certain concerns. Following this, a positive relationship was established between professional qualifications and effectiveness in financial management practices such as accounting and record keeping, as they were not strictly practiced otherwise. The lack of these practices promotes theft, mismanagement and misappropriation of funds.

Some financial gains derived from such investments are the ability to pool those profits and reinvest them into other church projects such as building schools and supporting the operational expenses of the church. Non-financial benefits are the provision and employment, meeting societal needs and providing services to the church at subsidized rates or even at no cost. As expressed by Ritchie (2011), the church is perceived as a selfless organization that does not seek financial gain. They are therefore reluctant in making decisions that will cause them to be perceived as profit seeking organizations. Some challenges identified was the lack of proper documentation, the expression of excessive trust in employees as most are church members (which leads to theft and mismanagement), bureaucracies and the unwillingness of church boards to approve strategic decisions that would help yield profit and make the business competitive. Amoah and Gyimah (2014) recommended the consideration of portfolio investments, acquisition of financial management advice and also the need to strike a balance between the church and its business which require profits to stay afloat.

Mpesha (2003) acknowledged the extent of contributions made in Tanzania by the church in his study on microcredit finance. He recognized the role of the church as a developmental partner in the nation as they followed in the steps of Muhammed Yunus, the father of microfinance. Mpesha's study focused on understanding the management policies of such investments and what it achieved. The scope of the investments in microcredit was not just to provide funds, but to do so to the very poor so they could engage in productive activities and further engage in other economic activities such as employment, payment of taxes, etc. This is in line with the objectives of the Grameen Bank in 1974 which is to extend financial facilities to the poor and eradicate the exploitation of same. The study addresses the problems Amoah and Gyimah (2014) faced with respect to striking a balance between spiritual and the physical. This is because Mpesha believed that to address the problems of the spirit; the physical needs of the people should also be catered for. In essence all the goals of the church, including the spiritual, are being met. Mpesha also found that the churches studied believed that by acquiring a stake in businesses, it is easier to promote the gospel and its teachings as a ready platform is available. Spiritual and ethical attributes that the church wants to promote can thus be advocated as a result of the platform created by the microcredit financing. As churches are generally more trusted, their supports and input is readily accepted and employed. This can be attributed to the image the church has of relentlessly seeking for the best for others (Ritchie, 2011).

The project allows the church to engage in financial literacy projects with the beneficiaries and also provides employment opportunities. The main challenge identified or that other researchers (Laughlin, 1988) disagree with is the desegregation of the church (sacred) and other 'unsacred' functions.

The church continuously contributes to various aspects of society, such as supporting the government as development partners (Mpesha, 2003 and Ritchie, 2011), hence should be exempt from taxes, as an incentive to carry on. However, unlike the assertion that the church always works selflessly to promote welfare, it must be acknowledged that they are organizations and like any other, must take steps to survive in the economy. Churches are thus creating enterprises and they aim to attain maximum returns from such enterprises.

The Times Magazine, in 1997, reported the current assets of the Latter Day Saints (LDS) to be 30 billion US dollars at the time. That position placed its value at least at the midpoint of fortune 500 companies. In 2005, the Catholic Church was reported to own millions of dollars' worth of real estate and investment portfolio income of about 55 million US dollars in 2006. Like any other business, the church is subject to risks. The Catholic Church, in 2008, incurred its first loss in four years, due to a decline in the US dollar against the euro. This speaks to the need for the church to engage professionals in its operations so as the manage operations effectively and mitigate risks. In 2009, the Evangelical Lutheran Church was reported to have 1.6 million US dollars in investment revenue and another one million US dollars in rent revenue per annum. The Church of England managed investable assets worth about 7.9 billion pounds and made 17% return on these investments in 2016 (The Guardian, 2017).

Though the church is not business centered, it needs to manage its operations on tried and tested business management principles in order to survive. Investment is a serious decision and a well informed and skilled team is needed to drive the church's investment in the right direction, as the economic conditions are no respecter of faith and social contribution (Fried & Hisrich, 1994).

2.5.4 Internal Control And Accountability

Ahiabor and Mensah (2013) conducted a survey in Greater Accra Region in Ghana, to determine the effectiveness and independence of internal control by evaluating the procedures available. This study was motivated by incidence of embezzlement and mismanagement of church funds which undermine the claims that they have internal control mechanisms in place. The general observation was that the churches fell short of established financial management practices and internal control as against the profit oriented firms. This general observation was in line with Laughlin's study in 1988, where it was stated that accounting practices should not be focused on as a main aspect of church operations but should be seen as a complementary tool. The main reasons identified for the inadequacy of financial systems was the trust expressed in the staff as most were members of the church.

Also, most givers were only interested in the blessings in giving hence they were not too concerned about the management or use of the funds they provided. This contradicts the view that givers are only willing to invest in those organizations that they are confident will use funds for their intended use and would manage the said funds in accordance with existing conventions (Mitchell, 2015). The study sought to determine the existence of internal control policies and procedures, the independence to use such policies and the impact of the policies. These ideas however are perceived as irrelevant for the church as it divert the leadership attention from the management of the 'sacred' mandate of the church (Laughlin 1988).

Shaibu (2013) suggested the frequent reconciliation of the offertory with the bank and the use of purchase orders to aid in the tracking of cash transactions and promote transparency in his study of selected Pentecostal churches in the Ashanti Region. Irvine (2005) emphasized and promoted the importance of internal controls and accountability to aid in continuous management reviews and detection of crises or the sources of such crises to promote the presentation of a true and fair financial report. Shaibu (2013) identified levels of controls in the churches and established a relationship between internal controls and finance. It was difficult to rate the various churches as strong or weak in the adaptation and implementation of the internal controls as strengths and weaknesses were shown in various aspects of control. Further recommendations were continuous monitoring, segregation of duties, authorization and recording of all transactions.

Tanui, Omare and Bitange (2016) undertook a study to promote the effectiveness of financial management through internal control systems in Protestant churches in Kenya in 2016. Like previous studies, this study was motivated by the unending church scandals and misconception that church leaders could not commit crimes. As corruption has crept into the church and is gradually increasing, the adoption of internal controls acts as the first line of defense for the church. It was revealed that only control activities out of the five components were evident in the churches. This is in line with Laughlin (1998), where internal controls are disregarded by the church, tagging it insignificant. A positive relationship was identified between financial management and internal control systems, where like Mitchell (2015), there is belief in adequate management, and however, it seems to be that internal control is not one of the main techniques adopted for this purpose.

Reminiscent of Mpesha (2003), Agyei-Mensah (2016) also acknowledges the vital role the church plays as a developmental agent. This is evident in the building of schools, most of which are known as 'mission' schools, hospitals, provision of portable water and scholarship, to students among others. The importance of the church implies that all of its activities, especially the financial aspects should be considered seriously. Everything that is done must be done as unto the Lord and not to men (NIV, 2011). This is divergent view from Laughlin (1988), where accounting practices are not considered as important hence only rudimentary aspects are employed. The study looked at financial accountability and internal control practices in 86 Methodist societies in Kumasi, Ghana. This represents 75% of the societies.

The importance of the church's survival cannot be overemphasized (Mpesha, 2003; Ritchie, 2011). In order for the church to continue playing its pivotal role in society, money is needed. Not employing sound financial management practices could run the church down such that even the 'sacred' function would not be able to run. One of the motivations for this study is the claim that the church has no money, despite all the resources available to it. The lack of adequate studies in this area unlike that of countries such as Canada, Australia and UK makes it difficult to assess the current situation of the church in Ghana and make and implement policies to remedy them. This study seeks to bridge that gap. Similar to Joseph in Potiphar's house (NIV, 2011), Christians are expected to act as stewards of God's resources and be held accountable to the letter. The study identified the importance of adopting the culture of record keeping which would serve as a good basis for accountability (Agyei-Mensah, 2016). Though the churches studied had controls in place, the controls were not applied effectively. The confidence in the control systems of the church seem to be lower than that of Ahiabor and Mensah (2013) due to their overconfidence in the workers hence not implementing the controls to the letter..

Mitchell (2015) emphasized that as funds are collected from the public, it is only prudent to render proper accounts to them. The recommendation provided to improve the identified state of the Methodist church was to train staff in the respective areas, segregation of duties, reviews and the inclusion of basic financial management practices in the training of ministers.

Irvine (2005), adopted the framework by Boothe (1993) to identify whether accounting was so 'secular' that it would inhibit the work of the church in any way. That is, was there a significant clash in the 'sacred' and 'secular' nature of the church and accounting respectively? The study was not looking to simply impose the ways of accounting on the church but rather prove its significance and how it can help the church in the achievement of its goals. The study analyzed how accounting practices were employed over a six month period and resistance it faced in the Anglican Diocese of Sydney, Australia. The study was of a single church. Financial reports for eight years were reviewed, alongside observations and interviews of the church leaders. The church leaders generally had no real knowledge about accounting processes, but the individual churches in the diocese had to prepare annual budget and raise their own funds to meet the stated expenses. The budgetary document is thus a very significant document to them. The financial management tools that are needed to effectively draw manage and maintain a budget was known to them. They identified the budget as a means of attaining spiritual goals. It was concluded that, accounting was significant to the church and was not a mere intrusion as stated by Laughlin (1988). The diocese would thus have to consider employing professional staff to oversee the operations to ensure maximum output. A significant relationship that was established was that of the quality of internal control and the audit committee, and this was found to be positive (Krishnan, 2005) the quality of the audit committee was measured by the size, independence and expertise of members. Organizations that had high independence and expertise of members were identified as experiencing less internal control problems. Internal control also increases the quality of financial reporting and accountability.

2.6 Conclusion

The theories and reviewed literature have given insight into the financial management of churches under different contexts and culture. The adoption of the stewardship theory and the RDT emphasizes on the need for a financial management system in every organization. The literature reviewed also throws light on the attempts of churches around the globe to adopt some form of financial system into their operations. It has thus set the tone for a detailed study into the subject matter, focusing on the cash management, investment management and internal control and accountability.

Chapter Three

Methodology

3.1 Introduction

This chapter is an overview of the methods and procedures adopted for this research. The area of study, data sources and collection modes are discussed expressing how the data was analyzed based on reliability and validity in order to achieve quality results. The rationale for the selected methods is expressed as well.

3.2 Research Design

The research adopted a descriptive strategy to illuminate the existing nature of operations in the church through a case study; which is a specific study of real life situations to attain in-depth knowledge about the subject (Kardos & Smith, 1979). The multi-faceted nature of a case study therefore helps understand the policies, activities, processes and procedures guiding financial management components, of the church. It is suited to encompass the complexities and various relationships of the given situation. It aids in the performance of an intense descriptive analysis of churches, using the Legon Interdenominational Church (LIC) as the unit of analysis. The approaches adopted and results attained may be used as a basis of generalization for other churches based on the logical reasoning in describing it (Walsham, 1993). However, that is not the main import of the study, the study aims to describe the systems adopted in LIC and determine if they are efficient and effective. A case study also supports the employment of various methods to aid in the answering of the research questions.

3.3 Area Of Study

This study evaluated the financial management system of the church. For the purposes of the study, the entire financial management system was segregated into three main components for analysis.

- Cash management
- Investment management
- Internal control and accountability

The cash management inquiries into the sources of funds, how these funds are recorded on receipt, the supervisory oversight, how it is allocated or disbursed and how and when it is banked.

The investment management looks into the investment policy, types of investments adopted, the management structure, benefits derived from the investments and their respective uses.

Internal control and accountability aims to evaluate the respective policies and procedures, independence and effect of internal control. Coupled with financial reporting standards, the internal control would be used as a determinant of accountability levels.

3.4 Data Sources And Collection

The study adopted qualitative research approach. The qualitative elements involved the use of observation, interviews and a review of the financial records and documents to obtain the relevant information required.

Table 2: Data source and collection

Research objective	Data required	Data source	Method(s) of collection
Cash management	❖ Source of funds ❖ Recording of data ❖ Supervisors role ❖ Allocation of cash	❖ Accountant ❖ Finance ministry	❖ Observation ❖ Interview
Investment management	❖ investment policy ❖ types of investments ❖ management structure ❖ benefits derived ❖ respective uses	❖ Accountant ❖ Finance ministry ❖ Board	❖ Interview ❖ Review of documents
Internal control	❖ policy and procedures ❖ Independence ❖ Effect	❖ Accountant ❖ Finance ministry	❖ Observation ❖ Interview ❖ Review of documents
Accountability	❖ Reports	❖ Accountant ❖ Finance ministry ❖ Auditor	❖ Interview ❖ Review of documents

Source: Author's construct

3.4.1 Data Sources

The data sources are both primary and secondary. The primary data sources are interviews and observations. The review of financial documents such as budgets, annual reports and policies will be the source of the secondary data.

3.4.1.1 Secondary Data

This refers to the review and analysis of existing information to develop the scope of understanding of the research. The reviewed information illuminates the subjects of financial management, the church and church financial management. The annual financial statements, policies, meeting minutes and existing articles were reviewed for the purposes of this study.

3.4.1.2 Primary Data

This involves data that does not already exist and this data is directly related to the subject matter. This data was acquired through interviews and observations of the church leaders, management, staff and volunteers.

The interview allows the respondents to provide all the information they are privy to about the subject matter. The interview took the form of a conversation to promote trust and confidence in the significance of the study hence the provision of quality information. Observation is used to confirm and relate to the information provided from the interviews.

3.4.2 Data Collection

The data collection technique employed to evoke credibility and confidence in the findings of the study was triangulation. It refers to the use of multiple means to collect data and there are four types, namely; data, investigator, theory and methodological triangulation. Data triangulation refers to the acquisition of data via different sources whilst applying different theories in the research would be the use of theory triangulation. Employing different investigators to acquire the data is investigator triangulation and the use of different data collection methods is methodological triangulation. Methodological triangulation was employed to ensure that all available data was retrieved to the point of data saturation.

The data was collected after the letter of permission to engage in the research had been obtained. On receipt of approval from the church administration to carry on, there were individual introductions with the interviewees to explain the purpose of the interview. The interviews were then carried out with the aid of an interview guide which was prepared prior to the interview. The guide was prepared based on the research objectives, literature review and financial manual of the church. Open-ended questions were used to attain as much information as possible without creating boundaries. Some of the interviews were recorded to ensure accuracy in the analysis with the permission of the interviewees. Those who rejected the gesture did not have their interview being recorded.

Observation was done for a period on nine months and the observations were used as an aid in the interviews and the review of documents. That is, clarification was sought on observed actions that contradicted policy guidelines during the interview. The observations also helped to appreciate some of the responses from the interview better as it had been witnessed prior to it.

Documents were reviewed prior to the interview to get a clear view of the church and their vision. This also aided in the interview as questions from the manual were incorporated into the guide. This gave a more holistic picture for the purposes of the research.

Triangulation proved to be very helpful as it increased the reliability and validity of data attained

3.5 Data Analysis

This refers to exploring and evaluating information received through summaries and visual aids to help make deductions and establish relationships. Data may be analyzed using quantitative, qualitative or mixed methods. Qualitative research refers to the interpretation of a phenomenon for better understanding (Boateng, 2016). Results are more explanatory in nature allowing flexibility in its activities. Quantitative research tends to test for the existence or extent of a problem. Statistics and inferences from the data are used in the analysis creating a sense of independence between the results and the researcher (Boateng, 2016). The mixed approach combines these two methods in the analysis. This research used a purely qualitative method in its analysis.

Thematic analysis of the data was used to analyze the information received on the basis of the objectives of the study. It involves the creation of themes or patterns to aid better understanding of the topic in more segmented levels (Braun & Clarke, 2006). Themes were created from the objectives to aid in the analytical discussions. The themes are financial management, cash management, investment management and internal control and accountability. The creation of themes makes analysis easier and more comprehensive due to the broad scope of the subject matter: financial management, it also allows the questions of the research to be addressed directly. The conclusion reached on each of the themes would inform the final conclusion of the financial management system of LIC. Therefore, various issues under a particular theme were analyzed as one subject and summarized as such. The McKinsey 7s model is also adopted to help assess the internal framework of LIC in order to determine whether it has positioned itself to take advantage of the financial management systems.

3.5.1 Reliability And Validity

The significance of enhancing the credibility of qualitative research cannot be over emphasized due to the many criticisms against it. These criticisms mainly stem from the claim that the method lacks scientific precision and objectivity. Definite proof that the research is based on reliable and valid data helps to minimize the uncertainties.

Reliability refers to the consistency and dependability of the data whilst validity looks at the data's ability to address the research questions posed. The quality of the research is enhanced with the establishment of these two features.

This study achieved reliability and validity through the strict use of the interview guide and the review of documents which helped eliminate personal biases. The methodological triangulation and interview of various respondents further improved credibility by ensuring accuracy of obtained data. The interview guide was adhered to in the data collection process and this was juxtaposed with the information from the church's manual and convention.

3.5.2 Data Saturation

This is accomplished when sufficient information is acquired such that there cannot be any new information to obtain. Further efforts to acquire them would lead to redundant information. The data to be obtained reached saturation as in-depth interviews with different respondents were organized, coupled with the other collection instruments. It was realized that responses to certain questions had been attained in earlier interviews or through the observatory process. This confirmed saturation.

3.6 Conclusion

The main objective of this study is to assess the financial management system of a non-orthodox church. This chapter has expressed the analytical tools, instruments and methods employed in the acquisition of the required data that enabled an analysis to answer the research questions. The chapter also outlines how the data was collected ensuring there was no bias and unethical treatments. The nature and mode of implementation of these analytical processes are also explained in the chapter. The chapter thus gives a general overview of how the research was undertaken

Chapter Four

Data Analyses And Presentation Of Findings

4.1 Introduction

This chapter seeks to evaluate the data collected with the aid of thematic analysis so as to address the research questions posed. The research instruments employed and analysis technique adopted enable the outline of the exposition of the desired issues associated with financial management generally and particularly within the context of the Church.

4.2 Profile

This section provides insight into the phenomenon under study. It is a presentation on the evaluation of the findings covering the church's background, purpose, mission, growth and responsibilities. The profile is segmented into the physical profile and the socio-economic profile.

4.2.1 Physical Profile

LIC, registered as Legon Interdenominational Church began as a fellowship in the 1970's by Dr. Frederick Phillips, Prof. Alan Duthie, Rev. Joshua Kudadjie and Prof. Kwadzo Senanu on the University of Ghana (UG), Legon Campus. The church was established to promote fellowship and actionable Christian living especially on campus as there was no place that Christians could fellowship all year-round, especially when school was on break. On Easter Sunday, March 26, 1978, the "Legon Residents Congregation" was established.

The church initially fellowshipped at the Legon Hall Chapel until it moved to its current location behind the Biochemistry Department in 1998, where the Saint Thomas Aquinas Catholic Church and the Christ Anglican Church are also located.

The church continued to grow in membership and funds received. The current roll of registered members stands at two thousand and seventy-three with about one thousand one hundred attendees on Sundays as at April, 2019. The steady growth in membership and funds compelled the leadership to create a bank account to facilitate the collection and usage of funds.

Also in response to the growth in membership, other formalized structures referred to as ministries were constituted to meet the needs of members and enhance the administration of the church. The ministries play specific defined roles in the undertaking of activities of the church. Some of such roles are the chapel preparation, reception of visitors, the creative arts among others.

Currently, the Church is run with a Constitution, as explained by Pfeffer and Salancik (1978), where there needs to be a management system in place to guide activities and usage of resources in order to promote accountability and compliance. The main goal of the church is to witness about the saving power of Jesus Christ and demonstrate His sovereignty through its worship, discipleship, fostering of spiritual growth, etc. this is seen in their three-point mission of being a Bible-believing, Gospel-preaching church that worships and witnesses Christ in order to disciple all in the fellowship and the UG campus at large.

4.2.2 Socio-Economic Profile

In order to be of relevance to the society and the world at large, the church continuously supports various organizations and individuals, as well as makes provision for or takes social action when need arises. As at the end of 2019 the church supports 13 Christian based organizations, has a needy fund (for the public), LIC education fund, UG needy students' fund (for students not on the education fund), and other funds as the needs are made known to the church . The church is further taking practical steps to improve the lives of those within its reach by engaging actively in plastic waste separation, mental health interventions, and student leadership programs, among other things.

4.3 Field Data Analysis

The study seeks to ascertain the nature of financial management of a non-orthodox church. Data was collected from interviews with the staff and leaders of the church in charge of financial matters and members of LIC to understand the entire financial management structure of the church from the various perspectives. The exploration into the financial management of the church aided in the evaluation of whether it has an efficient system or otherwise. The annual reports and financial manual of the church dubbed Financial and Accounting Policy Document (FAPD) were also reviewed. The data was thereafter analyzed by reviewing the current internal capacity of the church and thereafter evaluated them under three major themes, these are: cash management, investment management and internal control and accountability.

4.3.1 Internal Assessment

The McKinsey framework is employed to help identify the internal strengths and weaknesses of the church. The appraisal of the strategy, structure, systems, style, share values, skills and staffing of the church helped identify the inputs the church had invested in towards their attainment of their set objectives. Emphasis was placed on inputs attributed to financial management, Van (2010).

4.3.1.1 Strategy

LIC aims to ensure that Christ is professed all over the world. It thus focuses on the acquisition and development of resources (human or material) to ensure that this goal is achieved without compromising these vales. The implementation of this strategy is evident through the various ministries of the church and their functions.

The design of LIC's administrative system is structured with separation of powers in the performance of roles and responsibilities, involvement of members of the running of its activities and transparency in decision making regarding its finances and how they are managed.

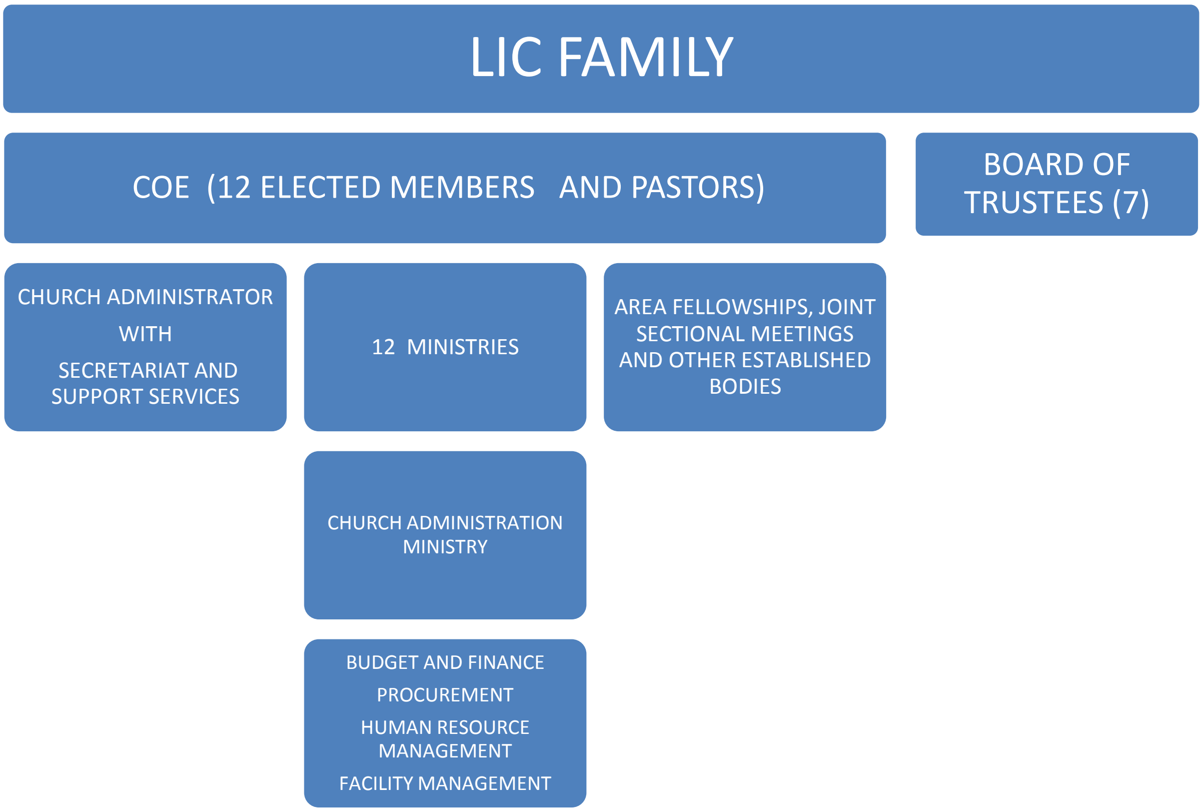
4.3.1.2 Structure And Leadership

The general objective of a review of the financial management system seeks to describe the framework the church is working by, the authority lines, staff qualification and activities of member volunteers. It is thus essential to review the organizational structure and its components as they are in charge of the formulation, implementation and control of the financial management framework of the church.

- The leadership of LIC comprises the LIC Family, Board of Trustees, Council of Elders (COE) which includes the pastors, the Church Administration. LIC Family is the governing and legislative body of LIC and it is comprised of all full members at Annual General Meeting (AGM) or special meetings of the church making it the highest authority. The LIC family has a COE who oversee the day to day administration of the church on their behalf.

- The COE is supported by a Secretariat headed by the Church Administrator. It also has function based operational units called 'ministries' and sub ministries of volunteers, who are all members of the LIC, through which it carries out specific roles and activities. The church also has a Joint Sectional Meeting (J.S.M.) comprising the Council of Elders, Leaders of Ministries and Area Fellowships and other established bodies. Church administration refers to the actual staffs of the church who engage in the operations of the secretarial and support services of the church in accordance with their profession. Financial issues are handled by the Church Administration Ministry (CAM) through the Budget and Finance, Procurement, Human Resource Management and Facility Management sub-ministries (LIC Constitution, 2010).

Figure 2: LIC Organogram



Source: Authors construct

The Council of Elders and Church Administration Ministry

The COE is the main governing body of the church and has oversight over all aspects of the church ranging from finance, human resources, procurements, legal advice, etc. The council comprises of 12 full members of the church, elected at AGM by the LIC family. The 12 members then elect a presiding elder and two deputies from amongst them to head the council. All committees under the COE are headed by either deputy. By convention, the first deputy presiding elder is in charge of the finance and audit team. This may however be changed if the elected deputy, for a period, does not have the required background to lead the team as it is not a written rule. Each member is eligible to hold office for two consecutive two year terms only. The COE are thus the stewards of the church's resources and act on behalf of the members to promote efficiency and effectiveness in church operations. The pastors serve on the COE and take part in the decision making of the church but are not an active part of the operations and technical decision making of the church functions.

The appointment onto the COE is based on Christian values and experiences in the church and not educational or experiential backgrounds; hence there could be periods where only a few or no elders would be available to provide insight into technical financial decisions. The turnover of the COE also makes it difficult to implement or follow through with strategic activities effectively especially if handing over is not taken seriously.

The COE has a finance and audit sub-committee that oversees all financial administrative work in the church. Their oversight spans from the staff schedules to the ministry volunteers as well as consultants. The church has been privileged to have a number of qualified (qualified here refers to educational background and expertise in economics, accounting or finance) and experienced elders to take up the role over the years. The appointment basis unto the COE however cannot guarantee this trend as election is not based on qualification. This may mean that the same qualified elders and leaders of COE would have to engage in all the financial activities, which has the potential to skew the desire for segmentation of duties and transparency as outlined in the church's financial manual. Though the elders are able to engage qualified members of the church in such events, the structure would exude more confidence if its elders are knowledgeable in the areas they are overseeing.

The various ministries of the church take on a number of functions, from spiritual roles to administrative ones to ensure that all the objectives of the church are attained. The members of these ministries however serve as volunteers in the service of God and His church, just like the council. The members opt to join the ministry of their choice as 'called' by God. However, units that require technical abilities such as the finance and worship units, respectively, mostly join in based on their qualifications, skills and experiences. All ministries report their schedule of activities, budgets, performance reports, amongst others to the COE.

The ministries are:

- Church Administration Ministry
- Children's Ministry
- Welfare and Visitation Ministry
- Church Education Ministry
- Prayer Ministry
- Youth Ministry
- Liturgy And Chapel Preparation Ministry
- Worship And Creative Arts Ministry
- Pastoral Care And Counselling Ministry
- Reception and Hospitality Ministry
- Evangelism and Mission's Ministry
- Social Action Ministry

Ministries and other bodies are established in response to needs of the church.

The COE is obligated by the constitution of the church to provide audited financial statements to the members annually at the AGM. This is done in compliance with the regulations of International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs). COE therefore guarantees that all statements use the appropriate accounting policies and prudent judgments' required and that all applicable standards have been adhered to.

The Church Administration Ministry is an advisory body that aids the COE in its administrative duties. The members of CAM operate in the following portfolios: the coordinator and deputy, secretary, procurement coordinator, finance and budget secretary, facility management secretary, human resource coordinator, COE representative and the church administrator. The ministry holds a meeting each quarter to address management concerns in the church. It also organizes training sessions for other ministry leaders to aid them prepare their ministry budgets per standards among other relevant financial management skills. It may have ad hoc meetings when the need arises to address pressing matters. Its budget and finance sub-ministry is in charge of budget preparation and offering counting and processing so it can be banked.

4.3.1.3 Staffing And Skills

The church administration provides secretarial and support services for the operations of the church. They are distinct from the CAM who are a volunteer based group. The church has thirteen (13) staff three (3) of whom are directly involved in the finances, namely; the church administrator, the accountant and a contract accounting assistant. All staff especially the finance staff were hired based on their educational background and experience. Preference was however given to LIC members in the selection process, but not at the expense of competence. The study of Woodbine (1997) had comparable results with regards to ensuring that staff had the requisite skills needed. It is however dissimilar to the findings of Amoah and Gyimah (2014) who seemed more interested in engaging its members in the activities of the church than ensuring those activities were in the right hands. The accountant is tasked with preparing all the necessary financial statements needed in a timely manner so the COE can make informed decisions. The church administrator works directly with the COE in implementation of tasks such as fund disbursements fund disbursement and acts as a mediator between the staff and the COE.

The COE and CAM have had many members with financial, accounting, auditing and economics background who have applied their acquired skills and experience over the years in support LIC. Similar to the COE, CAM is a volunteer-based team hence it is possible for a volunteer to have no direct requisite skills and experience.

Despite the challenges, LIC always ensures that each decision made is under the guidance of qualified professionals. This gap in technical knowledge conversely, may be filled by a member with the required skill-set needed, emphasizing the iteration of Kluver (2001) that churches usually prefer member participation to that of externals. The latter is just a contingency. This also, is in line with the Laughlin (1988) proposal that before anyone is charged with any financial management role, that person is to possess the requisite skills for the task. This is contrary however to the findings of Agyei and Kusi (2006), who found that most churches were being managed financially by their pastors irrespective of their level of financial knowledge, resulting in only 26.7% of them keeping good financial records. This has been true of the church since its inception. Even when its pastors were from the Methodist church the principles and operational guidelines of the Methodists did not interfere with LIC.

4.3.1.4 Systems

LIC has policies, procedures and processes guiding its operations. Some are documented, whilst some are not. Some of the documented operational guiding materials are the constitution and the financial management manual which were drafted in 2010. It also adopts global frameworks such as the Generally Accepted Accounting Principles (GAAP) in its accounting operations so as to comply with acceptable global standards. The various ministries also have their guiding principles which are in line with the LIC constitution and the Holy Bible.

Financial Management Manual (FAPD)

The COE contracted a team of technical experts from the church to draft a financial management manual in 2010. The proposed manual was to suggest systems, operational procedures, accounting policies and frameworks that highlighted the entire financial management systems the church was or would be exposed to. It was then approved by the COE and adopted by the church for implementation. The COE saw the need for this manual due to the exponential growth in resources of the church and deemed it wise to create a policy or guidelines to ensure efficient utilization of resources whilst preventing the tendency for abuse hence promoting accountability and confidence in the church (Booth, 1993). Though the manual is adapted from secular frameworks such as the GAAP, it also takes inspiration from Christian Stewardship (Rom 12:1, 1 Cor 4:2, Matt 28: 18-20). The latter emphasizes the need to work hard and use the church's resources efficiently as they all belong to God and is needed to expand his mission. The principles adopted are from GAAP for non-profit organizations. The financial reports are prepared on a cash basis. Though churches do not pay tax on their income in Ghana, certain operations and activities oblige them to pay tax. Pay As You Earn (PAYE) is paid on the salaries of the staff of the church. A withholding tax is also paid on acquisition of goods.

The implementation of the manual was to be overseen by the COE and CAM. These two separate bodies have over the years complemented each other in the bid to promote financial management synergies in the church. There have however been a few implementation challenges as highlighted above, but the most prominent ones were with regards to turnover of COE and possible volunteers with no experience or qualification. These challenges coupled with the high cost of implementing some strategies have caused some policies and strategies to be relegated over the years. An instance is the need for an internal auditor which is stipulated in the manual. This has however not materialized since 2010 due to the high cost of employing one. It is also stipulated that the manual is to be reviewed every two years, so as to be up to date with innovations and new conventions as well as be abreast with current regulations, but this has not been done before due to lack of follow up and few volunteers, also, some staff are not even aware of the existence of the said manual which calls to question if it is actually being implemented.

4.3.1.5 Leadership Style

LIC engages in participatory leadership. Decisions are taken at meetings of committees by consensus or voting. The decisions of these committees or groups may however be subject to approval by the LIC family at the 'family meetings' or AGM. There is distinction between the role of the pastor and the administration of the church by the COE. Their operations are clearly defined.

4.3.1.6 Shared Values

LIC bases all its operations and decisions primarily on the beliefs of the Christian faith. Cultural, societal and technological norms or standards may also be adopted in the operations and management of the church without compromising its core belief and Biblical principles.

4.3.2 Sources And Uses Of Income

To better understand how the funds are managed it is essential to ascertain how the funds are acquired and utilized.

4.3.2.1 Sources Of Income

The church has over the years experienced a progressive growth in its income. Any decline is usually relatively insignificant with a reversal in subsequent weeks. Income receipt to LIC varies, below are the enumerated sources.

- Donations: Also known as 'non-earned income' refers mainly to the offerings, thanksgiving and tithes given to the church by members during the services. It also denotes the various monies provided as gifts by individuals or organizations (Lightbody, 1999; Gruber, 2004; Ahiabor & Mensah, 2013; Mitchell, 2015).These donations may be of a general nature or designated for a purpose. That is, donors may either give monies for general use or may state the specific purpose for which they are to be used. The latter restricts the use of the monies as it can only be used for the disclosed purpose hence must be kept in separate funds. For instance, all funds provided during the church's harvest (thanksgiving service) are designated for evangelism and missions. Members could also give offerings specifically towards the education fund.
- Investment income: This refers to all gains of investments undertaken by LIC. These may be gains from a portfolio or business investment. These are explained further in the analysis.
- Non-cash charitable gift income: This refers to all donations or gifts that are not cash based. For instance; land, buildings, chair. An example is the offertory envelopes donated to the church.
- Bequest income: This refers to gifts left to the church upon the death of the donor. Specifically, donations from their estate at death. The church's' legal advisor and elders evaluate such donations to determine whether it is appropriate for the church to accept the gift before it is claimed by LIC.

- Special event income: This refers to revenue from events held or hosted by LIC. Income earned such as registration fees are added to the funds. This is however separated from the general income.

4.3.2.2 Uses Of Income

In LIC, expenditure may only be incurred if it has been budgeted for. Otherwise, a requisition is made and upon approval by the council of elders (COE), funds are disbursed. No funds are to be disbursed without the required documentation. Funds are mainly used for utilities, personnel emoluments, ministry expenses, transport and travelling expenses, etc.

The main objective in the management of expenses and liabilities is to avoid indebtedness. There are however scenarios where this cannot be done away with, these are; accruals, unpaid amounts of contracts, retention and payables. The church takes pride in its ability to meet all its obligations and has never fallen short of that standard.

4.3.3 Cash Management

The theme of cash management simply focuses on addressing the cash framework employed by the church. This framework looks at the existence of a cash policy, qualified personnel, compliance with policy, management of cash sources and how these are disbursed.

There is no specific manual for cash management, as the comprehensive manual served as its guideline source. Nonetheless, there are current conventions and GAAP that the management team complies with. The cash management is strictly guided by the budget and this is vehemently adhered to. The staff and volunteers in charge of this function are either professionally qualified or trained by the church (in the case of volunteers). It is a closed-circuit function that not just anyone can be a part of. It is heavily monitored by the COE. This is done through physical COE presence during all activities that have to do with cash and the need for authority from at least two COE members to take any action with regards to the bank accounts.

The church has two main bank accounts; a cedi and dollar account. There are four signatories to the account and all four are members of the COE. However, any two of these elders can sign a document or cheque at a time. A cheque beyond a threshold stipulated by the elders would have to be co-signed by at least one of the three presiding elders.

Sunday is the 'bank day' for the church as funds are usually banked once a week. Therefore all receipts that are collected in the course of the week are kept until Sunday when it is banked together with the offertory. The counting team (a sub-committee under CAM) is in charge of the offerings received on Sundays. Immediately after the offerings are collected, two members of the team accompany the ushers to leave the monies in a secure room. After the services, the team then meets in a different secure room to count the money. The necessary technologies such as the counting machine have been made available to the team to enhance the task and limit mistakes. The funds are then immediately handed over to a team from the bank in exchange for a pay in slip. The monies are thus considered banked. This high level of coordination, security and compliance was found to be absent from the churches in the Ashanti and Cape Coast as reported by Agyei-Mensah (2016) and Shaibu (2013) respectively. The counting committee, individual offertory envelopes, regular banking of cash and segregation of duties were among Woodbine's (1997) strategies to ensure sound and smooth cash management.

Contrary to the manual which stipulates that a member of the counting team is to go and deposit the funds at the bank, the bank officials rather go to the church premises to secure the funds under heavy security. The rationale is to increase the level of security the funds are under, and to minimize risk to the members of the church. It is also a more effective option, according to the church administrator; acting as a form of insurance.

The use of actual cash in the church administration is limited. Funds are usually paid by cheques addressed to the vendors. Cheques are not pre-signed, no matter the situation and they are kept under lock and key. All documentation on receipts and payments are kept in a secure location. Most of them are also documented and backed up on the internet. Overall, it seems the cash management system is healthy as it has a management team of professionals who adhere to the international standards for management principles. The absence of any mismanagement also goes to say a lot about the efficiency of the practices and employed and the effectiveness of the cash internal controls. The main test of health for the cash system is the ability for the current inflows to meet the needs of the current outflows. The current ratio for LIC for the year ended 2018 was 8.02 as against 2017s 5.06. This means that for every cedi of liability, LIC has 8.02 cedis of liquid assets to offset it. This is a good sign as the church is not overwhelmed in debt and manages its assets so as to continuously increase in value.

The seeming loophole in the cash management system is the lack of documented guidelines, despite the ability of the stakeholders to act rightly according to the accounting conventions. The reverse was established by Agyei-Mensah (2016) who found that churches in Kumasi had cash management policies, but there was no adherence.

4.3.4 Investment Management

The evaluation of the investment function is to ascertain the premise for investments and if that is applied at all times. It also seeks to ascertain if the investments engaged in are in accordance with the specifications of the church.

The principal rule of investment is that all income in excess of short term needs is to be invested in liquid income producing investments. Short term needs refers to operational and budgeted expenses needed for a period and an emergency cushion, all funds in excess of this are to be invested. The church has no business investment which is in sharp contrast with some Ghanaian churches (Amoah and Gyimah, 2014). It only deals with portfolio investments. These investments are only to be made with reputable and licensed institutions prioritizing capital preservation and liquidity. A well-balanced portfolio is required with no need for unnecessary risk. Some of the instruments the church has delved in are interest bearing current accounts, treasury bills, certificate of deposits, call accounts, fixed deposits, etc. similar to corporate entities; the proceeds of these investments are taxed.

There is no specific management board in charge of church investments, quite like the case of some churches in the study conducted by Amoah and Gyimah (2014) and was found to slow down decision making. The Board of trustees are the custodians of the assets and liabilities of the church; they thus manage these in trust for the church. Initiatives and reviews for investments are done by COE upon approval from the board. The elders therefore cannot claim assets or incur liabilities without the approval of the board of trustees.

The church does not give out loans to its members. This is to prevent the abuse of funds which could lead to a high bad debt ratio. They have however created interventions such as the credit union, welfare ministry and area fellowships among others to cater for the physical needs of members. Loans are however provided to the staff of the church upon review. The loan to income value should however not be more than 40% of the basic pay of the staffer.

The particular investment class selected may depend on the need of the church. For instance, if the church is in need of a specific amount for a designated project, they can find an investment vehicle that would meet that need given the current amount available. Also, if funds for a particular project is available but the project has not yet began those funds could be invested in a vehicle with a maturity to match the expected time the project is to begin. Investments are thus guided by the annual plans as it allows them to meet their set goals given the monies available as established by Mpesha (2003). This substantiates the insight provided by the Ghanaian Times (2010) encouraging churches to be innovative in fund generation and not just depend on members for funds.

The investments in the church seem to be heavily regulated especially with the quarterly evaluations and the specificity with which they are engaged in. The end of year accountability at the church's AGM also ensures that the elders do not invest in activities or portfolios that are contrary to the beliefs and standards of the church mainly with regards to risk and the Christian principles.

4.3.5 Internal Control and Accountability

This section addresses the question of whether the church has internal control measures and if these measures are adhered to. This coupled with the transparency of activities and frequent disclosure of information would inform the level of accountability practiced by LIC.

To ensure proper controls are meted out, the church is committed to carrying out its operations as a corporate body would, this is a similar sentiment expressed by Pallock (1991), who expressed that despite the non-profit nature of a church, it is still operated with the seriousness and intensity of a profit-making firm. Though LIC is not a profit-oriented organization, it needs monies for its operations and in the pursuance of its mission thus runs like a profit corporation would run with the right checks, balances and corrective measures in place. This is in line with the observations of Irvine (2005) which iterated the significance of accounting and control policies as a means of maintaining the church's significance to society. This is because it is through the efficient utilization of funds, which is ensured by accounting and control policies, that monies can be acquired and directed towards these social initiatives.

Beyond the corporate level structure, LIC provides opportunities for counselling and reconciliation, in the event a member is found acting in a way contrary to the guidelines and the principles of Christianity and removed from that portfolio as a result. This is quite the opposite of what Ahiabor and Mensah (2013) as well as Amoah and Gyimah (2014) found in their study as the church management of the studied churches was permissible towards persons or situations that were not favorable for the church's operations to persist in the name of "we are all members of the church." There is thus a clear distinction between 'church' and the 'administration' in the operations of LIC.

The church has never recorded an occurrence of embezzlement or finance related issues. The credibility of this claim is further guaranteed as the external auditors have never hinted as such. The COE runs a tight ship as it requires monthly cash flow statements and reconciliation statements, as highlighted in Shaibu's (2013) study of offering management in Cape Coast. They also expect quarterly investment statements with which all investments are appraised.

The church has in place key internal control activities that are to aid in minimizing the occurrence of errors and inappropriate actions. These activities are enumerated below.

- ❖ Segregation of duties: control duties and tasks are divided or undertaken by different persons. That is, after the budget team (CAM) prepares the budget, it is reviewed and approved by the COE. The implementation of budgetary tasks and fund disbursement is done by the church administrator with corresponding oversight from COE. The financial statements are prepared by the accountant and this is also reviewed by the COE. At the end of the financial year, the external auditor also audits the accounts after which it is presented to the congregation at the AGM of the church. It is thus difficult to circumvent this system that is strictly adhered to.

- Authorization and approval: Activities are subject to the approval of the ministry in charge and subsequently the COE. They make request for funds as and when funding is required. These requests and approvals are often documented for review purposes. All activities engaged in must be in accordance with the budget, otherwise based on its urgency, and would seek COEs permission to carry on. For instance, all requests must be made through a requisition form which is endorsed by the church administrator and a COE member.
- Reconciliation and review: The COE meets monthly to evaluate operations in the church. The monthly cash flows are reviewed to ensure compliance with budgetary allocations. They are checked for misapplications. Bank reconciliations are also done monthly; this is the main task of the contract assistant accountant. The main review of activities is done at the AGM where each ministry and the church as a whole are evaluated.
- Physical security: All the church's assets are under a 24- hour security watch. The church has put in place many security systems to ensure safety. There are security cameras in the church, a 24/7 security service, rails and guards where needed and impenetrable lock systems for certain locations. Fixed assets have also been duly labeled and numbered to enhance an inventory check.

The above ensure that assets are safeguarded, compliance is encouraged, and operational efficiency and the reliability of the financial statements are promoted.

The strict controls, lines of authority and supervision are in sharp contrast with the findings of some studies (Laughlin, 1988; Ahiabor and Mensah, 2013) as members are trusted calling such controls insignificant due to their "Christian" personality thus few checks, reviews or follow ups on operations are done. The controls under adoption by LIC are however in line with Shaibu (2013) recommendation to the Pentecostal churches.

The main check and form of accountability is the AGM hosted annually by the COE so all members can evaluate the years activities and demand explanations for actions taken during the year. This is a very uncommon feature for a church, more so a non-orthodox church. The elders are held accountable for every cedi spent and must be able to justify every action taken. For instance, in 2015, some concerns were raised about the increasing costs of expenditure and financial projects the church could engage in to aid in fulfilling their mission. At the 2018 meeting, there were further questions about the expenditure, management of accounts, portfolio investments and insurance schemes of the church. The active inclusion of members in the financial management process hence helps serve as a safeguard for the funds.

LIC has made it a point to ensure that these internal controls are adhered to and evaluated with no prejudice to the credibility and righteousness of the actors in charge. The controls apply to all actors, whether staff, volunteer or elder. This to prevent the kind of results Amoah and Gyimah (2014) had in its study of churches in the Kumasi Metro Area from manifesting in LIC. The results as expressed by Amoah and Gyimah (2014) showed apathy and non-challans for the works being done because they were for the church.

4.4 Conclusion

LIC has been found to run its operations just as a profit-making firm would with the aim of treating Gods resources with the care and efficiency it deserves so they could be used for the purposes for which they were established. The presence of a financial manual, professionally trained staff and volunteers, strict managerial systems and external overseers, precise documentation and segregation of duties and authority gives confidence in the financial system of the church.

Chapter Five

Summary, Conclusions And Recommendations

5.1 Introduction

The final chapter presents a summary of the study. Also, this chapter discusses the conclusions made from this study and suggested some recommendations that could implemented.

5.2 Summary Of The Study

This study focused on the financial management of a non- orthodox church, LIC, exploring the cash and investment management as well as the internal control and accountability systems in the church. This was motivated by the increasing incidence of fraud and misuse of church funds which was affecting the confidence of the public in the institution of the church and the desire of stakeholders to understand the measures put in place, if any, to curb the menace.

LIC was selected as it fit the gap criteria needed for the study and seemingly had a financial framework in place that could be evaluated. Qualitative instruments such as interviews, observations and report reviews were employed to aid in the evaluation of the current state of the church. A case study was adapted to aid in a detailed description of the financial management environment of the church and the organizational framework being employed. The thematic analysis and McKinsey's 7s model were used respectively in the analyses yielding outcomes. The Summary of the findings responds to the research questions covering the review of the following financial management issues in LIC:

- ❖ The cash management system
- ❖ The investment management system

- The internal control and accountability measures in place and their effectiveness

5.2.1 General Findings

LIC as a church has a general knowledge about all the facets needed to run the church. It also seems not to lack in the specific financial knowledge required. Furthermore, the church has the human and technological resources needed to manage a good financial system. The human resources in charge of the various financial units; be it staff, volunteers, advisors or overseers have the necessary educational and experiential knowledge and skills to perform their tasks to the letter.

The church has a main governing body, the COE, which serves as the management board over all sections. This body thus provides strategic direction, implementation plans, provides resources (human or otherwise) needed for the implementation and evaluates progress and work done.

LIC has an FM manual that gives insight into the financial segments of the church, whether cash management, investments or internal control. This manual however is not being implemented or adhered to. The operational activities are rather guided by secular conventions, guidelines and frameworks.

The pastors have no direct hand in the financial management of the church. Though their inclusion on COE means they can make some input. They are however not custodians or signatories to any of the accounts as they do not have the requisite skill for that.

5.2.2 Cash Management

There seems to be a sound cash management practice in the church as all the cash functions have a formal framework or system that it follows. Despite, the fact that there is no cash management policy, all cash activities have structures and procedures that are well known to all members of the respective teams. Majority of volunteers in charge of this function have the qualification to manage it effectively.

There are lots of controls in place to safeguard the funds and the security of those who handle it. There is segregation of the various tasks, especially those with authority or control over accounts, safes, documents, etc.

Management of funds is strictly in accordance with the budget. There is usually very little variation between the budget and actual expenditure.

The COE has been put in charge ensuring compliance to standards. This promotes accountability whilst minimizing probabilities of errors and misappropriation. Financial statements are reviewed frequently so that inputs and correctly measures can be made in a timely manner. There is little or no opportunity for cash to lie outside the bank system in the hands of individuals

5.2.3 Investment Management

This function also has no designated manual or governing body, but overseen by the COE. Investments choices are made primarily with capital preservation and liquidity as the main targets. The COE decides the investment classes to engage in based the needs of the church.

Despite the absence of documented guidelines, the decisions made are based on information from volunteers or advisors with adequate technical knowledge to enable a sound decision to be made. Each investment engaged in has a clear purpose usually with a plan for the usage of the proceeds.

5.2.4 Internal Control

There is a high level of internal control governing every facet of the financial scope. The main controls practiced are the segregation of duties, physical security, review and reconciliation and authorization and approvals.

Proper documentation of transactions and activities is emphasized. These documents are safely saved in the church's cloud network. Regular preparation of financial statements serves as a budgetary control and means of ensuring the right things are done.

The church contracts external auditors to evaluate the financial statements to ensure that they are devoid from any material misstatements. The church also holds an AGM every year so the elders can account for all the activities that the church embarked on under their supervision.

5.2.5 Challenges

The main challenge LIC faces is the absence of a well-documented manual. The current manual did not pass the implementation stage and is nine (9) years out of date. The absence of a consistent and reliable document breeds discord and inconsistencies in operations. This is because each financial activity may have multiple execution options; the lack of a standard would mean anyone performing that task would be at liberty to use methods at their own discretion. The mode of appointment unto COE may result in trying times for the church eventually. This is because elders are elected not based on the functional needs of the church but based on Christian growth. It is thus possible that a council would arise that has no qualified finance member. This would cause great difficulty in the performance of their mandate to the church. Also, the turnover of the council may impede developmental and strategic movements as member changes could affect current projects, especially if handing over and grooming of new elders is done poorly. This was one of the road blocks of the 2010 manual.

5.3 Conclusion

As a religious NPO, the level of organization and consistency is exemplary. The church has much strength such as the incorporation of corporate or secular standards that promotes efficiency in all facets of the organization, professionally trained staff and volunteers, a corporate governance system (COE) who guide and monitor all activities, a good records-keeping culture and a good brand name with regards to its integrity in all of its dealings. However, they face a few weaknesses; the lack of a functional manual and the nature of appointment unto the COE. There also seems to be an information gap where some significant is unknown to key personnel due to time lapse. The church is furnished with the technologies, opportunities and resources needed to achieve high FM standards. It has the resources to take advantage of opportunities that would enhance the framework. For instance, the use of cloud servers and other technological advancements, stable cash flows and little intervention from political and other regulatory authorities. The main threats are the political and economic variables that could affect operations or standards.

The presence of this wealth of resources and proven track record which far exceed the weaknesses and threats are enough to conclude that LIC is indeed a church with good financial management.

5.4 Recommendations

The church needs a contemporary manual which incorporates the current systems and guidelines suitable for a religious NPO of its nature. The new manual should be comprehensive and incorporate the various segments of finance instead of trying to create a manual for each segment, which has failed in the past. This will limit the degree of subjectivity employed in the performance of duties.

CAM and COE can create cross-sectional sub-committees for each financial segment with specialized personnel for more frequent and relevant input and review. This would be aimed towards reducing the burden on the entire group whilst minimizing the bureaucracy so issues do not have to wait till it is addressed at the COE meetings. Smaller units could even hold ad hoc meetings to address burning matters.

The basis for COE election should be reviewed to incorporate the strategic needs of the church. This is not to do away with spiritual growth standard, but to act as an additional requirement or criteria.

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APPENDIX

INTERVIEW GUIDE

GENERAL QUESTIONS

1. What role do you play in the management of church funds?
2. How is the financial management performance of the church?
3. Is the church able to meet its financial obligation?
4. What is the average growth rate of fund generation?
5. Does the church have records of embezzlement or mismanagement?
6. Is the church able to comply with the policy guidelines?
7. Who prepares the financial statements?
8. Is there an internal auditor?
9. Does the church have a risk policy as stipulated in financial manual?
10. Why has the financial manual not been updated since 2010?

FINANACE TEAM

1. What professional qualification does your portfolio require?
2. Do you possess that requirement?
3. Is there a strict entry requirement?
4. Does the team face any external influence, eg. pastor?
5. Are the members of the finance team supervised by a third party/ do you report to another body?
6. Do all finance team members have a clear understanding of the finance manual?
7. Are there training sessions to develop the skills of members?

MANAGEMENT STRUCTURE

1. Are there special management units for the various finance units?
2. What is the tenure of board members?
3. Is the board independent of the church administration?
4. Does the board have a governing policy

CASH MANAGEMENT

1. How many bank accounts does the church operate?
2. How are the receipts of funds recorded?

3. How often are funds banked?
4. How many signatories does the account have?
5. Is there physical documentation accompanying cheques?

INVESTMENT MANAGEMENT

1. How are projects financed?
2. Is there an investment policy?
3. What are proceeds used for?
4. On what basis are loans or grants provided?

INTERNAL CONTROL

1. Is there internal control function?
2. Is there external oversight?
3. Are there guidelines for this function?
4. How often are financial statements prepared and reviewed?
5. How often are accounts reconciled?