

**INTERNAL CONTROL SYSTEM FOR FINANCIAL MANAGEMENT IN THE
CHURCH: A CASE OF PROTESTANT CHURCHES IN ELDORET
MUNICIPALITY, KENYA.**

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ABSTRACT: *The study aims at evaluating the Internal Control System (ICS) which can be used for effective financial management in the Church. The objectives were to determine if ICS is in place, its role, challenges faced during implementation and its relationship with financial management among Protestant Churches in Eldoret Municipality. Using the descriptive statistics, 76.5% of the respondents confirmed that ICS was in place. However, only one type of internal control (control activities) existed in the Churches sampled which also plays a minimal role. ICS related challenges faced include lack of ICS knowledge, resistance to adapt ICS, shortage of staff to implement and Church's management reluctance. This was shown by 76.5%, 52.9%, 52.9% and 58.8% respectively. In regards to ICS and financial management, majority of the respondents (76.5%) indicated their relationship to be positive. The researchers recommends more scholarly works to be done to make roles of ICS seen to crucial, how to address the challenges faced during development and implementation of ICS as well as how to make ICS an effective financial management technique.*

KEYWORD: Corruption, Internal Control System, Financial management

INTRODUCTION

In the modern times, there have been rapid changes in our societies due to increased globalization and fast moving technology. These changes has not only affected the way we do things but also our behaviors too. Many scandals in relation to corporations and the States have been reported. For instance, many of these scandals arise due to lack of ethics and bad governance. According to Loren (2003), Enron Corporation (American energy, commodities, and Services Company) was declared bankrupt in 2001 after providing misleading financial statements. In addition, Harvard University Library (2014) Lehman Brothers, one of the largest financial services firm in the United States of America went into liquidation in 2008 because of lack of transparency (used accounting trick to hide the debts of the firm). In Kenya, there are many unresolved scandals which have raised eyebrows on the extent to which corruption has taken roots in Kenya thus making the nation one of the most corrupt nations in the world (Transparency International). The huge scandals as a result of corruption in Kenya are the Golden Berg (1990 to 1999) and Anglo-leasing (2000 to 2009). Corruption in Kenya and Africa at large has led to increased poverty because it has hampered any attempt of the nations to improve their economies.

Christianity in the world is expected to grow with time. According to Status of Global Mission (2014), total Christians by the year 2025 are expected to hit 2,700,343,000. The total Church income to be generated by this Christian population in 2025 is \$350 billion per year. However, the 2013 reports from Status Global Missions and Centre for the Study of Global Christianity posit that Christians worldwide will commit more than \$37 billion in church-related financial

fraud during 2013. According to the Brotherhood Mutual Insurance Company (2015) which insures America's Churches and related ministries, they point out that Church crime continues to grow by \$100 million each day. In this regard, the Company has suggested best practices to help prevent fraud in the Church which includes establishing Church's financial policy in writing, conducting annual background checks as well as annual credit reports and implementing annual external audits. Notably, increased fraud in the Church is alarming and yet there was more expectation that the place 'sacred' and its image cannot be tainted by evil deeds as financial scandals. This calls for the need for all the protestant Churches, in both developed and developing countries to re-examine their ways of being the watchdogs for the funds.

Protestant Church scandals have been reported several times but the major one was televangelist which occurred in 1987 to 1988. This violates the requirement stipulated In the letter of Paul to Philippians Chapter 2 verses 3. Paul warns Philippians by saying 'Let nothing be done through selfish ambition or conceit,' The financial scandals, regardless to where they happen, shows that Christians no longer value the importance of this verse again. According to the study by Smith (1991), televangelism in particular and American Protestantism in general were rocked by a series of sex and financial scandals. According to the author, the scandals led to negative reactions to religion as the reputation of televangelists worsened. In 1989 survey of the televangelists' values as trustworthy, honesty, sincerity, special care relationship with God and care about people revealed that many people had loosed faith and trust. This is because the findings indicated that for these elements (trustworthy, honesty, sincerity, special care relationship with God and care about people), 16%, 23%, 26%, 26% and 33% respectively of the respondents accepted that the televangelists still possess them. Thus, this shows that any type of scandal reported do creates a negative image for the Church.

In Africa, financial scandals in the Church are also rampant. Smith (1982) emphasises individuals not to engage in converting funds for Secular Corporation or Church for personal use with impunity. Furthermore, Smith alerts the society not to be reluctant thinking spiritual leaders cannot commit criminal acts. In this regard, there is need to take decisive action to combat these wrongdoings or use the law to protect religious freedom (State to intervene in Church financial affairs where embezzlement is suspected). The emphasis on money as an index of success has fostered wide- spread ethical abuses (Adeboye, 2005). According to Ukah (2005), clergy malfeasance in Nigeria is on the rise and has becomes the price paid for the endless pressure to find new ways of expansion and of making profit in the Church. The greed for more profit in the Church has led to many using fraudulent ways to obtain more money from the Christians. In Northern Zaire, most of the Church work was funded by Missionaries who stopped immediately they suspected its misappropriation (Nelson, 1992).

In Kenya, it is estimated that 66% of the population are Christians with about 28% belonging to the Roman Catholic Church while 38% belong to Protestant churches (Wordmark Encyclopedia, 2007). According to International Religious Freedom report (2013), approximately 80% of the Kenya's population is Christian (where 57% are protestants, 29% Roman Catholic and 14% other Christians), 10% is Muslim and less than 1% of the population includes Hindus, Sikhs, and Bahais. The report states that the remaining populations adhere to various traditional religious beliefs. Africa Matters (2014) has shown the Church scandals that were reported in Kenya in 2010 (The Finger of God Church) and in 2012 where a miracle scandal was uncovered. In November 2014, Kenya Television Network (KTN) Inside Story gave a revelation of how the Salvation Healing ministry Church in Nairobi used fraudulent ways to lure the Christians to give more money. In all the scandals reported therefore

in Kenya, many are involving finances and thus show that the Church has been viewed as a lucrative business!

Corruption has eaten up the world to the extent that moral decay that has been experienced in the State has found its way to the Church too. The word Corruption was first used by Aristotle and later by Marcus Tullius Cicero who added the terms bribe and abandonment of good habits. Ethics and governance are vital for the Church because it acts as the role model in enforcing them. The Bible (James Chapter 1 verses 22) calls all Christians to be the doers of God's word and not only the hearers. The bible further requires the Christians to be the light that shines which darkness cannot overcome (John Chapter 1 verses 5). Scandals reported today clearly portray the darkness that has engulfed many of our Churches today which makes Christians to be just the hearers and not the doers of the God's word. The Constitution of Kenya Chapter 4 (32) points out that every person has the right to freedom of conscience, religion, belief and opinion. This right allows one to manifest any religion or belief through worship, practice, teaching and observance of a day of worship. However, Chapter 6 (73) of the Constitution gives guiding principles of leadership and integrity; objectivity in decision making, selfless service, accountability, discipline and commitment. These principles are applicable to the Church because there are leaders.

In Kenya, most Churches are members of the National Council of Churches in Kenya (NCCCK) that was established in June 1913 during the United Missionary Conference held at Thogoto, near Nairobi. NCCCK is a family of Christian communions and organizations in fellowship and witness. The council currently has 42 members who fall in categories as full (27), Associate (9) and fraternal (6) (NCCCK, 2015). Given the unethical practices in the Kenya's protestant Churches, this goes against the core values established by the council which includes integrity, professionalism, partnership, servanthood and stewardship. The protestant Churches are therefore in dire need of an effective ICS to ensure that all activities relating to finances are done well. By doing so, we will be fulfilling the call by Paul in 1st Corinthians chapter 4 verses 1 which requires that as servants of Christ and stewards of the mysteries of God, we should be trustworthy. In addition, it is far better for Churches to think of stewardship, not in terms of how they raise the money for upkeep or maintenance of their plant and program, but in terms of how they think they might use the Church's resources in service of God's rule (Johnson, 2011).

A church is a local assembly of believers as well as the redeemed of all ages who follow Jesus Christ as Saviour and Lord (Kanuku, 2007). In this regard, the Church is seen as a social organization with good moral values (Kombo and Gogo, 2007). Despite the Church seen to be with good morals, Corruption in the State and society at large, Churches included has remained a global threat because abuse of power, bribery and secret dealings continue to ravage societies around the world (Transparency International, 2013). Corruption has taken its roots till it is regarded as a pervasive problem in both the developed and developing world (Furphy, 2010).

In Kenya, many scandals relating to Church finances have been reported. These reports have portrayed the negative image of the Church which was highly regarded as a 'holy' place. In November 2014 for example, Kenya Television Network (KTN) gave an Inside Story revealing how the Salvation Healing ministry Church in Nairobi which is led by Pastor Victor Kanyari used miracles to defraud their followers (KTN, 2014). As a result, the Kenya's Director of Public Prosecution, DPP (Kereako Tobiko) ordered for an investigation of this case which left many wondering where the world is heading to. According to the DPP, the case was among many others reported because many preachers have opted to use false pretense, cheating and

conspiracy to defraud their followers. Mokuo (2009) in his study on sustainability of Church managed projects recommended adoption of proper management skills and strategies. Financial management in the Church is an important skill which is a key to success. Absence of Internal Control System (ICS) will result in incorrect and unreliable financial records, loss of Church funds (mainly got from tithes, offerings, projects and donors) and non-implementation of accounting policies. In the event that there is shortage of funds, the Church's operations will be severely affected. The study seeks to evaluate the ICS which can be used for financial management in the Protestant Church. Failure to do so, the Church's finances will continue to be misappropriated through corrupt and fraudulent dealings. The moral teachings of the Bible, NCCCK's core values as well as the leadership principles will be violated. The study thus sought to address the following objectives;

1. To evaluate the ICS implemented by the protestant Churches in Eldoret Municipality.
2. To establish the role of ICS the protestant Churches in Eldoret Municipality.
3. To determine the ICS implementation challenges faced by protestant Churches in Eldoret Municipality.
4. To determine the relationship that exists between ICS and financial management of protestant Churches in Eldoret Municipality.

LITERATURE REVIEW

Theoretical framework

Stewardship theory

The stewardship theory was developed as an alternate of agency theory ((Donaldson and Davis, 1991). It states that if managers are left on their own, they will indeed act as responsible stewards of assets the control. These managers are not opportunistic strikers but want to be good stewards of the corporate assets in order to protect and make profit for shareholders. The theory has been adopted to buttress this study given the Church financial scandals in the recent times. Churches are in dire need of funds to run the day to day operations. In this regard, Church leaders have been entrusted by followers to carry out this responsibility. However, according to Nicodem (2005), money is a spiritual issue although it can be the cause of pain such as lack of contentment, landslide of sin, lance of sadness and wandering from the truth. Njino (2008) gave an insight on resources management for sustainable development in the Church since there are many church projects which have economically collapse due to mismanagement. Njino further indicated that resource management skills is not limited to the Church but to all people who are in one way or the other stewards. Jamieson and Jamieson (2009) points out that Clergy need to that they are shepherds and prophets called to care for God's people. In addition, the authors also note that Christ's Lordship extends to all areas of life including the financial area. The theory is relevant because Church leaders need to be stewards to ensure that the mission and vision of the Church, as intended in the Bible, is attained.

Corruption

Corruption has been the household name in most of the countries in the world. Wraith and Simpkins (1963) points out that Corruption is above all amoral problem, immeasurable and imponderable. Transparency International defines corruption as the abuse of entrusted power for private gain which thus hurts everyone who depends on the integrity of people in a position

of authority. Klitgaard (1988) came up with a formula to analyse corruption which states that C (Corruption) = M (Monopoly) + D (Discretion) – A (Accountability). The Public Choice Theory by Gordon Tullock and James Buchanan (1962) views corruption as an attempt by individuals or groups to subvert existing rules and generate extra-legal income and wealth for themselves. Lack of ethics and bad governance makes people to have greed and thus can do anything so long as they benefit themselves. According to Furphy (2010), corruption is endemic in most African societies but is worst in countries where: Institutions such as the legislature and judiciary are weak; the rule of law is not strictly enforced; political patronage is the norm; the independence and professionalism of the public and private sectors have been eroded; and civil society lacks the means to hold perpetrators to account. In this regard, the main factors that encourage systemic corruption include monopolistic powers, lack of transparency and the culture of impunity.

Church has been regarded as the institution with good morals. Marquette (2010) states that religion provides a language of ethics and there are growing calls for religion to be used in the fight against corruption. Unfortunately, the scandals reported recently show that corruption has found its way to the Church. In addition, Transparency International's corruption perception index has proved that the most corrupt countries in the world rank high in religiosity. In Kenya for instance, many financial scandals as a result of corruption in the Church has been reported. The United Nation Economic and Social Commission for Asia and the Pacific ,UNESCAP (2013) states that bad governance is being increasingly regarded as one of the root causes of all evil within our societies. Transparency International's (TI) released in October 2010 identified Africa as the most corrupt region in the world. Lawal (2007) asserts that corruption in Africa has hindered development. In 2009, United Nations Office on Drugs and Crime (UNODC) Southern Africa Representative Jonathan Lucas too labelled corruption as a crime against development, democracy, education, prosperity, public health and justice - what many would consider the pillars of social well-being. In all the above reviews, corruption in Africa has grown and matured into a deep-rooted evil which exposes the decay in the ethics and governance by the institutions. Despite being common in both developed and developing world, it is serious in the latter.

In order to fight corruption in Africa, there is need for reform of systems and international cooperation's through Transparency International which is a leading global coalition against corruption that reports and gives the tools for fighting it. Part of Transparency International's work is to develop and promote practical tools that reduce the opportunities for corruption and enhance the ability of people and organizations to resist it. Apart from working with experts from companies, universities and other non-Governmental Organization (NGOs), they should work closely with the Church so as to root out corruption in the society. As a Christian religious institution, the Church thus is a living witness to Christ's promise. The Church is a non-profit organization which rely on people's faith as well (Mulder, 1999). Goold et al (1998) further states that the Churches have played an important role in Africa over the last three decades through implementation of development and relief work with communities. The developments are done because almost all Churches dependent upon voluntary giving (Jamieson and Jamieson, 2009). Given this vital role, the Church needs to shun activities associated with corruption which might lead to loss of more resources.

The Internal Control System (ICS)

In the modern times, many problems associated with fraud in the organizations have been on the rise. ICS thus has been seen to be the effective tool that can be used to help in reducing

these challenges. Internal controls have existed from ancient times such that in Hellenistic Egypt there was a dual administration, with one set of bureaucrats charged with collecting taxes and another with supervising them. In the recent times, corruption has become part of the Africa's Church operations and thus there is in dire need for ICS to direct, monitor and control its activities to upheld ethics and good governance. According to Steinhoff (2005), internal control represents an organization's plans, methods, and procedures used to meet its missions, goals, and objectives. These controls also serves as the first line of defence in safeguarding assets, preventing, detecting errors, fraud, waste, abuse and mismanagement. The Institute of Internal Auditors (IIA) defines ICS as a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Based on these two definitions therefore, ICS involves everything that controls risks to an organization because it's a means by which an organization's resources are directed, monitored, and measured or intellectual property.

Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework is a widely used framework not only in the United States but around the world. They defined internal control as a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. The COSO definition relates to the aggregate control system of the organization, which is composed of many individual control procedures. In the past, many controls were being enforced in the Accounting and Finance section of the organization and at the end of every financial period, the auditors could verify if the controls are effective.

ICS is the pillar in most organizations. Churches are prime targets to those who seek to embezzle precisely because their internal controls are notoriously lax (Henrickson, 2012). Since administration of Church's finances is a sacred trust, it is very important for the pastor to establish a strong system of internal control because he/she has the responsibility for overall stewardship of the Church (Mason, 2009). West and Zech (2008) states that the objectives of Internal control structure fits all entities including the Church thus are essential. These objectives include providing reliable financial statements, safeguarding assets, promoting adherence to management's policies and procedures, promoting operational efficiency and effectiveness. In a study by Duncan, Flesher and Stocks (1999), inadequate internal controls can hinder the management responsibilities of Church officers and employees and place them in a position where they may be tempted to engage in questionable activities and accounting practices, or could subject individuals to unwarranted accusations of such activities.

In a study by Duncan and Stocks (2003), they found out that pastors have a reasonable ability to recognize strengths and weaknesses in internal control systems in their Churches even though more than 63% indicated that they had no formal training in business or accounting. However, the study posits that pastors consider internal control, the overall accounting function and Church's information system to be secular and unimportant. Furthermore, the pastors do understand the internal control principles yet choose to trust Church employees and members rather than to implement basic internal control procedures in their Churches. Fleckenstein and Bowes (2000) too add that religious organizations overlook controls' guidelines in favor of the qualities of mercy and trust. Laughlin (1988) therefore concludes that internal control is viewed as a secular rather than sacred. ICS is an important tool to be used in Church thus needs to be fully implemented. The Church leaders have the mandate to formulate it without trusting Church employees and members to work faithfully.

Types of internal controls

Internal controls developed and implemented vary from one organization to the other depending on their nature of operations. In the Church for instance, most activities carried out are charity thus considered to be not-for-profit. However, internal controls are still applicable in such organizations. Church Management Solution, CMS (2015) has given the best practices for Church financial internal controls. The first internal controls relate to the collections, deposits and data entry. In this section, CMS states that ushers need to be given procedures on how to properly seal collection bags; ensure that safes and counters are locked; encourage the Church members to use envelopes, write cheques or use online giving. CMS also gave the internal control of having personnel as bookkeepers, secretaries or receptionists, treasurer, authorised cheque signer, Church administrator or Finance board and internal audit committee. In this case therefore, the Church needs to have the controls for handling the revenues as well as expenditures. In addition, there is need to have an organization structure giving the various sections/posts, roles and responsibilities of each.

COSO consists of five professional and accounting organizations that formed a committee to develop internal control report. These internal controls have served as the guide used worldwide for establishing internal controls in most organizations. They are significant in achieving performance and profitability targets, preventing loss of resources, preparation of reliable financial reporting and ensure compliance with laws and regulations. Hightower (2008) posit that internal control and internal audit play the same role of adding value to improve an organization's operations. According to COSO (1992): Internal Control- Integrated Framework (as stated also by Moeller, 2013), the following are the internal controls;

Control environment – It is the foundation of all components of the internal control which consist of overall attitudes, awareness and actions by Board of Directors (BOD), management and others concerning the importance of internal controls. They include integrity and ethical values, commitment to competence, BOD and audit committee, management's philosophy and operating style, organization structure, assignment of authority and responsibility, human resource policies and practices.

Risk assessment – It estimates significance of the risk, its frequency or likelihood and risk management process.

Control activities – The consist activities as proper authorization of transaction and activities (general or specific authorization), separation of duties, retention of records, safeguarding of assets, supervision, top level reviews, Information Technology (IT) general and application controls.

Communication and information – This requires the organization to have two way communication, formal and informal communication system, effective communication procedures with internal and external parties, information and support systems consistent with overall enterprise needs.

Monitoring controls – The help measure effectiveness of internal controls and also ongoing activities to monitor performance so as to take corrective action. They include activities as internal auditing, supervisory activities, external communication monitors, normal management reviews over operations and financial reports, physical inventory and asset reconciliation.

Financial statements are prepared with the aim of fulfilling the financial reporting objective. This objective addresses preparation of reliable published financial statements (Young, 2014). The Statement on Auditing Standards No.31 gives objective or financial statement assertion of internal controls that help to present fair financial statements. These include elements as existence or occurrence, rights and obligation, valuation or allocation, presentation or disclosure. The Church leaders thus need to implement both the activity (control activities) and financial statement assertions of internal control so as to attain their mission.

Financial Management

Finances are regarded as a backbone of any organization regardless the nature or size. This is because most of the activities require financial input for them to be successful. In the Church for example, finances are needed to run the projects or various activities organised. According to Jamieson and Jamieson (2009), almost all the Churches depend on the voluntary giving in order to fulfil their mission. This giving is mainly from the offerings, tithes, projects and donation. This calls for the need to ensure that funds, a scarce resource are well managed. Financial management is one of the three broad categories in finance (Fabozzi and Peterson, 2003). Brigham and Houston (2011) states that financial management suits both profit and not-for-profit organizations. In their definition, financial management refers to decisions relating to how much and types of assets to acquire, how to raise the capital needed to purchase assets and how to run the firm so as to maximise its value. McMenam (2002) postulates that lack of effective and strong financial management leads to collapse of an organizations. This is because it entails determination, acquisition, allocation and utilization of financial resources. The Church being a not-for-profit organization too has the requirements to be fulfilled by finances for example assets, projects and other activities.

Financial management is a unique skill which is essential thus needs to be part of the trainings in all institutions. However, in a study by Jordan et al (1999) to determine the number of graduate theological schools offering financial management courses, it was found out that only 24% offered even as electives. This skill therefore makes the Church leaders not to be comfortable in handling financial matters of the Church. For instance, only 15% of the protestant clergy surveyed were very or extremely satisfied with the administrative and financial training (Chaves and Miller, 1999). The study thus shows that 85% of the clergy are not well equipped with financial skills yet they are the leaders expected to manage the resources of the Church effectively. During financial difficulty, the pastors need to understand ways to allocate the few finances available. Without any financial management skill therefore, the pastors will commit moral hazard; behaving opportunistically by placing priority on goals other than those emphasised by the congregation (Zech, 2007).

Agency theory states that there should exist harmony between the agents and principals in the organization. In this regard, pastor's role in Church financial management is paramount because they are the agents appointed by the congregation (principals). According to Miller (2011), pastors play roles in Church finances which include encouraging and distributing treasure's report to every governing board committee as well as congregation; encouraging appointment of finance stewardship committee; encouraging tradition of an annual audit in the Church. Ingram (2015) in his article concludes that both parties' goals (principals and agents) must be addressed within a climate of compromise, but with the understanding that meeting the principal's goals is the primary function of the relationship. The Church leaders need to involve the followers or congregation about the financial plans they have to get the input before

implementing them. By doing so, the agency conflicts will be minimized and the principal (Church leaders) will not be seen as mismanaging the finances of the Church.

Financial management techniques

The techniques in financial management are essential and apply to organizations including the Church. The Churches in Africa are faced with challenges in ensuring that the finances are well managed. Scwartz (1993) states that Churches in part of Africa have overdrafts which are more than a million units of local currency. The question that lingers in the mind of many therefore is why do Churches go for overdraft? Do they manage properly what they get in form of tithes, offerings and projects before opting for an overdraft? Henrickson (2012) points out that the creation of Sarbanes – Oxley Act in 2002 help gave strong rules of accountability where Churches are not immune to these new standards or to the expectation of increased scrutiny in the future. Application of financial management techniques as well as regulations set for accountability will help in attaining the main objectives of financial management. These objectives according to Ramagopal (2008) include profit and wealth maximization. The Churches even though are not-for-profit organizations have ventured into businesses whereby they aim to recoup the returns to finance the Church activities. Wealth of the Church is thus created by ploughing back the profits generated from these projects.

In a study by Tanui and Achoka (2014), they found these techniques to include financial forecasting and planning, capital budgeting, financial risk management, Integrated Financial Information System (IFMIS), ICS and categorization of financial tasks Vis-à-vis-Personnel. Henrickson (2012) too gave the financial management techniques to ensure long-range financial health of the Church to include development of annual budgets; having personnel as budget officers, Treasurer and Finance committee; Implementing financial policies and procedures; Appointing an independent financial oversight team. Campbell et al. (1983) postulate that financial management entails drawing a budget plan. A budget usually gives the projected revenues and expenditures to be incurred in a particular period thus can be used by the Church. According to Lotich (2015) of Smart Church Management (SMC) Consultancy Company, the Church leaders are often challenged with ensuring there is continued funding to support current programs and fixed operational costs. In this regard, the author stresses the need to have Church Financial Management tips as strategic plans, budgets, communication, prepare for a financial emergency, oversight and accountability.

In order to ensure finances are managed well, Henrickson (2006) stresses the need to share the duties between several staff members and or volunteers in the Church. so as to avoid cases where only one person handles all financial elements. Henrickson further notes that if only one person handles all financial elements, they will be in a better position to conceal the wrongdoings. Most of the financial management techniques mentioned by all the above scholars gives an indication that the Church cannot do without them if it wants to be a going concern. The Church leaders should set the tone at the top for other members to emulate their sound financial management skills.

METHODOLOGY

In order to search for answers to our research questions, descriptive research study was instituted. This was essential to demonstrate relationship that exists between ICS and financial management. The study is also able to answer the questions ‘what is’ (Bickman and Rog,

1998). The research area was in Eldoret Municipality, Uasin Gishu County Government, Kenya. Using the list of current members of NCCCK as at April 2015 (42), the researchers sampled 27 full members found in Eldoret Municipality. This is because the sample size selected were the majority in the list of NCCCK membership as compared to associate (9) and fraternal members (6). Stratified sampling strategy was employed in this study.

The method used for data collection were structured questionnaires whereby test and retest technique was used to test their validity as well as reliability. The questionnaires were issued in the month of April 2015 whereby 17 were returned. After editing and coding data, it was entered into Statistical Package for the Social Sciences (SPSS) and analyzed using descriptive statistics.

RESULTS

Objective one; The Internal Control Systems (ICS) of the Protestant Churches

Table 1: Existing ICS among protestant Churches in Eldoret Municipality

N	Valid	17
	Missing	0
Mean		1.24
Median		1.00
Mode		1
Skewness		1.372
Std. Error of Skewness		.550
Range		1

The table below shows the results on whether or not control environment, risk assessment, control activities, monitoring activities, communication and information as type of ICS existed among the protestant Churches in the study area.

Table 2: The type of internal control that exists

		Do control environment as a type of control exist in the Church?	Does risk assessment as a type of control exist in the Church?	Do control activities as a type of control exist in the Church?	Do communication and information as a type of control exist in the Church?	Do monitoring activities as a type of control exist in the Church?
N	Valid	17	17	17	17	17
	Missing	0	0	0	0	0
Mean		1.53	1.76	1.41	1.59	1.53
Median		2.00	2.00	1.00	2.00	2.00
Mode		2	2	1	2	2
Skewness		-.130	-1.372	.394	-.394	-.130
Std. Error of Skewness		.550	.550	.550	.550	.550
Range		1	1	1	1	1

Objective two; The role of ICS in the protestant Churches

The study further sought to determine role of ICS in protestant Churches in Eldoret Municipality. The results were as shown in Table 3 below.

Table 3: The role of ICS in the protestant Churches

		Does the ICS prevent the loss of Church's offerings and other resources?	Does the ICS help to prepare reliable financial reports?	Does the ICS help in complying with laws and regulations of the Church?	Does the ICS reduce disputes that may create negative image in the Church?	Does the ICS lead to continuous expansion of the Church?
N	Valid	17	17	17	17	17
	Missing	0	0	0	0	0
Mean		1.53	1.59	1.59	1.65	1.59
Median		2.00	2.00	2.00	2.00	2.00
Mode		2	2	2	2	2
Skewness		-.130	-.394	-.394	-.677	-.394
Std. Error of Skewness		.550	.550	.550	.550	.550
Range		1	1	1	1	1

Objective three; Challenges faced by protestant Churches in Eldoret Municipality when developing and implementing ICS

Table 4 below gives the findings of the types of challenges faced by protestant Churches in Eldoret Municipality when developing and implementing ICS;

Table 4: Challenges faced by protestant Churches as regard to ICS

	Does the Church face the challenge of lack of knowledge when developing and implementing ICS?	Does the Church face the challenge of resistance when developing and implementing ICS?	Does the Church face the challenge of complexity of Church operations when developing and implementing ICS?	Does the Church face the challenge of shortage of staff to implement and evaluate ICS?	Does the Church face the challenge management's reluctance because they believe that the ICS is not suitable for them?
N Valid	17	17	17	17	17
Missing	0	0	0	0	0
Mean	1.24	1.47	1.59	1.47	1.41
Median	1.00	1.00	2.00	1.00	1.00
Mode	1	1	2	1	1
Skewness	1.372	.130	-.394	.130	.394
Std. Error of Skewness	.550	.550	.550	.550	.550
Range	1	1	1	1	1

Objective four; The relationship between ICS and financial management of the protestant Churches in Eldoret Municipality

The study further sought to establish the relationship that exists between the ICS and financial management in protestant Churches, Eldoret Municipality. The results were as shown in Table 5 below.

Table 5: The relationship between financial management and ICS in the protestant Churches, Eldoret Municipality.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Positive	13	76.5	76.5	76.5
Negative	1	5.9	5.9	82.4
No relationship	3	17.6	17.6	100.0
Total	17	100.0	100.0	

DISCUSSIONS

Objective one; The ICS Implemented by Protestant Churches in Eldoret Municipality

The study sought to establish if ICS existed in the protestant Churches of Eldoret Municipality. In the study, 76.5% of the respondents stated that ICS was in place (Mode = 1 which represents 'Yes') while 23.5% did not have the ICS. The results were as shown in Table 1.

In table 2, the results on whether or not control environment, risk assessment, control activities, monitoring activities, communication and information as type of ICS existed among the protestant Churches in the study area. It was found out that control activities is one of the types of control that exist in most protestant Churches in Eldoret Municipality (mode = 1, which represents 'Yes'). The other types of controls were found out from the study not to exist (Mode = 2, which represents 'No'). These include control environment (52.9%), risk assessment (76.5%), communication and information (58.8%) and monitoring activities (52.9%).

Objective two; The role of ICS in the protestant Churches in Eldoret Municipality

The study further sought to determine role of ICS in protestant Churches in Eldoret Municipality. The results were as shown in Table 3. From the results, the mode score 2 (which represents 'Not applicable') shows that the ICS does not play any role in the protestant Churches sampled from Eldoret Municipality. The percentage scores were: for prevention of loss of Church finances and other resources (52.9%), preparation of reliable financial reports (58.8%), compliance with laws and regulations for the Church (58.8%), reduction of disputes (64.7%) and continuous Church expansion (58.8%). However, a few respondents agreed that ICS plays a role as indicated by 47.1%, 41.2%, 41.2%, 35.3% and 41.2% for prevention of loss of Church's finances and other resources, preparation of reliable financial reports, compliance with laws and regulations for the Church, reduction of disputes and continuous expansion of the Church respectively.

Objective three; Challenges faced by protestant Churches in Eldoret Municipality when developing and implementing ICS

Table 4 gives the findings of the types of challenges faced by protestant Churches in Eldoret Municipality when developing and implementing ICS. As shown in Table 4, although a few protestant Churches were not faced by the challenge of complexity of Church's operations (mode = 2 which represents 'No'), majority were faced by challenges such as lack of ICS knowledge, resistance to ICS, shortage of staff to implement and evaluate ICS as well as Church management's reluctance because they believe that the ICS is not suitable for them. This was shown by 76.5%, 52.9%, 52.9% and 52.9% respectively.

Objective four; The relationship between ICS and financial management of the protestant Churches in Eldoret Municipality

The study further sought to establish the relationship that exists between the ICS and financial management in protestant Churches, Eldoret Municipality. From the table 5, 76.5% of the respondents agreed that there exists a positive relationship between ICS and financial management. This shows that financial management is vital among the protestant Churches whose main source of finances is tithes and offerings (as indicated by 76.5% which is higher than those from Church projects and donations). However, many of the respondents indicated to lack financial management skills (as shown by 52.9%), they have gone a step higher to designate the work to other personnel. Despite the positive relationship between the ICS and

financial management, only 35.3% of the respondents stated to use ICS as a financial management tool.

IMPLICATION TO RESEARCH AND PRACTISE

ICS as an effective tool for financial management in the Church today is an important subject of discussion. This follows the rampant corruption which mainly targets the finances thus portraying moral decay both in the Church and the society at large. The findings of the study show that protestant Churches in Eldoret Municipality have ICS in place. However, only one type of control (control activities) exists out of the rest (risk assessment, control environment, monitoring activities, information and communication). The findings that ICS exist disagree with Henrickson (2012) who noted internal control of the Church to be notoriously lax. They, however, concur with West and Zech (2008) who posit that ICS is essential and thus need to be in place. The study further found that despite its existence, ICS do not play a minimal role in the protestant Churches in Eldoret Municipality. These findings are at par with those of Fleckenstein and Bowes (2000) and Laughlin (1988). This is because the controls do not play much role thus overlooked by the Church. The protestant Churches were also found to be faced by challenges despite the call by Mason (2009) to have strong ICS for enforcing overall stewardship. The main challenges found out in the study were lack of knowledge on ICS.

The study findings also showed that the ICS and financial management are positively related among protestant Churches in Eldoret Municipality. Financial management is thus essential in these protestant Churches as par Brigham and Houston (2011). This means that the Churches in Eldoret Municipality look forward to ensuring that their finances, mainly raised from offerings and tithes (which concurs with Jamieson and Jamieson, 2009) are well managed. ICS however is not the main financial management technique among these Churches which thus goes against Tanui and Achoka (2014) findings. These findings rather support those of COSO (1992) and Moeeler (2013) who affirms that ICS ensures financial health of the church.

CONCLUSION

Protestant Churches have a role to play in ensuring that ethics are upheld in all institutions of the society. By showing the good example of Jesus Christ, these Churches need to stand firm in fighting all sorts of corruption menace facing our world today, more so in Kenya where it is deep rooted. There is need to ensure that finances of the Church, the main source of corruption in many institutions, is managed well. This is a must if the Church is to live as a best example rich in core values such as integrity, professionalism, servanthood, partnership and stewardship. This thus calls for the need of strong ICS which needs to be implemented so as to act as a weapon against corruption in the Church. By doing so, the Church will be a going concern and thus reach out many with the gospel of our Lord Jesus Christ.

Future Research

Based on the findings of the study, it is recommended that further research should be carried out on the ways to encourage the protestant Churches positively see the roles of ICS as crucial and incorporate in their day to day operations. More scholarly works need to be done to address the challenges facing protestant Churches while developing and implementing the ICS. In

regards to financial management, there is need to find ways of making ICS a key technique for the protestant Churches on how to adapt it fully.

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APPENDIX

LIST OF CURRENT NCK MEMBERS IN KENYA

Full Members

1. Africa Brotherhood Church
2. African Christian Church and Schools
3. African Church of the Holy Spirit
4. African Independent Pentecostal Church of Africa
5. African Interior Church
6. African Nineveh Church
7. Anglican Church of Kenya
8. Church of Africa Sinai Mission
9. Coptic Orthodox Church
10. Episcopal Church of Africa
11. Evangelical Lutheran Church of Kenya
12. Friends Church in Kenya
13. Full Gospel Churches of Kenya
14. Kenya Assemblies of God
15. Kenya Evangelical Lutheran Church of Kenya
16. Kenya Mennonite Church
17. Lyahuka Church of East Africa
18. Maranatha Faith Assemblies
19. Methodist Church in Kenya
20. National Independent Church of Africa
21. Overcoming Faith Center Church of Kenya
22. Pentecostal Evangelistic Fellowship of Africa
23. Presbyterian Church of East Africa
24. Reformed Church of East Africa
25. Salvation Army
26. Scriptural Holiness Mission
27. Zion Harvest Mission

Associate Members

1. Bible Society of Kenya
2. Christian Churches Education Association
3. Christian Health Association of Kenya
4. Kenya United Independent Churches
5. Kenya Ecumenical Church Loan Fund
6. Kenya Students Christian Fellowship
7. St Paul's University
8. Young Men's Christian Association
9. Young Women's Christian Association

Fraternal Members

1. African Evangelistic Enterprise
2. Daystar University
3. Fellowship of Christian Unions
4. Trans World Radio
5. Trinity Fellowship
6. World Vision

Source; NCK, 2015