

Effect of Internal Control Systems on the Financial Performance of Seventh-day Adventist Church Ventures in Kenya

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Abstract

Internal control systems are fundamental to organizational governance because they support accountability, safeguard assets, enhance the reliability of financial information, promote compliance, and improve operational efficiency. Their importance is particularly pronounced in faith-based organizations, where institutional leaders are expected to balance mission-related objectives with prudent financial stewardship and long-term sustainability. This study assessed the effect of internal control systems on the financial performance of Seventh-day Adventist Church ventures in Kenya. The study was guided by agency theory and stewardship theory and adopted a quantitative cross-sectional research design. Data were collected from 97 respondents drawn from ten SDA-affiliated ventures operating in the health, education, publishing, and hospitality sectors. The study assessed internal control systems through documented control mechanisms, adherence to control procedures, financial risk identification and mitigation, communication of control policies, adequacy of internal audits, management responsiveness to control weaknesses, and compliance with regulatory and organizational requirements. The study used descriptive statistics, Pearson correlation, and simple linear regression to analyze the data. The findings revealed a moderate positive and statistically significant relationship between internal control systems and financial performance ($r = .466$, $p < .001$). Regression analysis showed that internal control systems explained 21.7% of the variance in financial performance ($R^2 = .217$, adjusted $R^2 = .209$), and the regression model was statistically significant, $F(1, 94) = 26.098$, $p < .001$. Internal control systems had a positive and statistically significant effect on financial performance ($B = .506$, $\beta = .466$, $t = 5.109$, $p < .001$). The study therefore rejected the null hypothesis that internal control systems have no significant effect on the financial performance of SDA Church ventures in Kenya. The study concludes that effective internal control systems contribute significantly to the financial performance of SDA Church ventures by strengthening financial discipline, accountability, compliance, risk mitigation, and the efficient use of organizational resources. The study recommends continuous strengthening of documented control procedures, internal audit functions, staff awareness, and management responsiveness to identified control weaknesses.

Keywords: *Internal control systems, financial performance, corporate governance, financial accountability, faith-based organizations, SDA Church ventures, Kenya*

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1. Introduction

Financial sustainability remains a central concern for organizations operating in increasingly complex and resource-constrained environments. For faith-based ventures, financial performance matters because fulfilling institutional, social, and mission-related objectives depends largely on prudent management and protection of organizational resources (Zietlow et al., 2018). Although financial performance is influenced by multiple internal and external factors, the quality of internal governance systems is widely recognized as an important determinant of financial discipline, accountability, operational efficiency, and longterm sustainability (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2013; Jensen & Meckling, 1976).

Internal control systems constitute a critical component of organizational governance. They comprise the policies, procedures, practices, and mechanisms established to provide reasonable assurance that the organization achieves its objectives, maintains reliable financial and operational information, complies with applicable requirements, safeguards assets, and operates effectively and efficiently. The Committee of Sponsoring Organizations of the Treadway Commission emphasizes that effective internal control provides an integrated framework for managing risks and supporting the achievement of organizational objectives (COSO, 2017).

Internal controls serve functions beyond preventing and detecting fraud. Effective internal control systems provide a framework through which organizations establish accountability, define procedures, communicate responsibilities, monitor compliance, identify control deficiencies, and implement corrective action (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2013, 2017). Conversely, ineffective internal controls may expose organizations to financial losses, misappropriation of resources, unreliable financial reporting, noncompliance, and weakened managerial accountability (COSO, 2013; Zietlow et al., 2018). For organizations operating under resource constraints, such weaknesses may adversely affect operational continuity and long-term financial sustainability (Zietlow et al., 2018).

The relevance of internal controls is particularly pronounced within faith-based organizations. These organizations are entrusted with financial and other resources that must be managed in ways consistent with institutional objectives, ethical responsibilities, stakeholder expectations, and governance requirements. Sound financial management and accountability are therefore essential to sustaining both organizational operations and mission-related activities (Zietlow et al., 2018). In the context of SDA Church ventures, financial resources must be managed in ways that support institutional sustainability while advancing the Church's broader mission. The present study's underlying thesis similarly emphasizes the importance of internal controls in strengthening accountability, promoting responsible resource management, and supporting financial stewardship within SDA-affiliated institutions (Okoth, 2025).

The financial context of SDA Church ventures in Kenya further underscores the importance of examining internal control systems. Evidence from the underlying thesis identified financial challenges among some SDA-affiliated ventures, including liquidity constraints, delayed salary payments, unpaid obligations, and operational inefficiencies. The financial records reviewed in the study indicated that some ventures had cash ratios below 1.0, suggesting challenges in meeting short-term financial obligations. These financial challenges were associated with weaknesses in corporate governance, including inadequate accountability and weak oversight (Okoth, 2025).

Internal control systems may provide an important institutional response to these challenges. Well-designed and consistently implemented controls can enhance the reliability of financial and operational information, strengthen compliance with established policies and procedures, reduce exposure to fraud and misappropriation, facilitate the timely identification of weaknesses, and support the efficient use of organizational resources (COSO, 2013, 2017). However, the effectiveness of internal control systems depends not merely on the existence of formal policies and procedures, but also on their effective communication, consistent implementation, continuous monitoring, and timely management response to identified deficiencies (COSO, 2013).

Agency theory provides an important theoretical explanation for the role of internal controls in organizational performance. According to Jensen and Meckling (1976), the separation between those whose interests an organization serves and those entrusted with managing organizational resources can create agency problems. Internal control systems help reduce these problems by establishing procedures, monitoring mechanisms, and accountability structures that limit opportunities for opportunistic behaviour and strengthen alignment between managerial actions and organizational objectives.

Stewardship theory provides a complementary perspective. Davis et al. (1997) argue that managers may act as stewards, intrinsically motivated to pursue collective organizational interests. From this perspective, internal controls should not be viewed exclusively as mechanisms for monitoring potentially self-interested behaviour. They can also support responsible stewardship by providing leaders with reliable information, clear procedures, and institutional structures for ethical and accountable resource management. This perspective is particularly relevant to faith-based ventures, where leadership is expected to reflect institutional values and responsible stewardship.

Empirical research has generally supported the proposition that effective internal controls contribute to organizational performance. The literature reviewed in the thesis identifies evidence from Kenyan listed companies, nonprofit organizations, private health institutions, and religious organizations showing that control environments, risk assessment, control activities, internal audits, segregation of duties, monitoring, and information flows can contribute to financial accountability and organizational performance. However, the evidence is context-dependent, and relatively limited research has examined the specific relationship between internal control systems and financial performance within SDA Church ventures in Kenya.

This limitation presents an important empirical gap. SDA Church ventures differ from conventional commercial enterprises because they operate within a mission-driven, faith-based governance environment while also facing the operational and financial demands of running

hospitals, educational institutions, publishing entities, and hospitality facilities. Consequently, evidence derived from private corporations or other nonprofit organizations may not fully explain how internal controls influence financial performance within SDA-affiliated ventures.

The present study therefore assessed the effect of internal control systems on the financial performance of SDA Church ventures in Kenya. The study contributes to the governance and nonprofit management literature by providing empirical evidence from a faith-based organizational context. It also offers practical insights into how documented control procedures, internal audits, compliance, monitoring, financial risk management, and corrective action support financial sustainability.

The study was guided by the following objective:

To assess the effect of internal control systems on the financial performance of SDA Church Ventures in Kenya.

The corresponding null hypothesis was:

H₀₃: Internal control systems have no statistically significant effect on the financial performance of Ventures of SDA Church in Kenya.

2. Literature Review

2.1 Theoretical Review

The study was anchored on agency theory and stewardship theory. These theories provide complementary explanations of why internal control systems may influence financial performance.

Agency theory assumes that conflicts may arise when management is entrusted with organizational resources and its interests do not always align with those of owners, stakeholders, or other parties represented by the organization. Jensen and Meckling (1976) conceptualized these challenges as agency problems arising from the separation of ownership and control. Internal controls are therefore important governance mechanisms because they establish procedures for authorization, monitoring, reporting, accountability, and corrective action.

Within SDA Church ventures, the agency perspective matters because organizational leaders and managers are entrusted with resources that must be used in accordance with institutional objectives and established governance requirements. Effective internal controls can reduce information asymmetry, improve transparency, and limit opportunities for misuse of resources. Clear procedures, adequate supervision, internal audits, and segregation of responsibilities can therefore strengthen financial accountability.

Stewardship theory offers a complementary interpretation. Davis et al. (1997) argue that managers can act as stewards whose behaviour is guided by collective organizational interests rather than narrow self-interest. In this context, internal control systems do not necessarily represent a lack of trust in organizational leaders. Rather, they provide the institutional infrastructure through which responsible stewardship can be exercised. Effective control systems can support leaders by clarifying expectations, providing reliable information, identifying emerging weaknesses, and strengthening organizational learning.

The stewardship perspective is particularly relevant to faith-based organizations because leadership is often associated with moral responsibility, service, integrity, and commitment to a shared mission. The thesis similarly positions internal controls as mechanisms that reinforce accountability and transparency while supporting the ethical and responsible use of resources entrusted to institutional leaders.

Together, agency and stewardship theories provide a useful framework for understanding internal control systems within SDA Church ventures. Agency theory emphasizes monitoring, accountability, and preventing misuse, while stewardship theory emphasizes responsible management, trust, and the effective use of institutional resources. Integrating these perspectives suggests that effective internal controls should balance accountability mechanisms with systems that enable competent managers to exercise responsible judgment.

2.2 Empirical Review

Internal control systems are widely recognized as an important component of corporate governance and organizational management. According to the COSO framework, internal control supports the achievement of objectives relating to operations, reporting, and compliance. Effective controls provide reasonable assurance that organizational activities are conducted in accordance with established policies and that relevant risks are identified and appropriately addressed.

The literature reviewed in the thesis shows that researchers have examined internal control systems across diverse organizational contexts. Kinyua et al. (2015), as cited in the thesis, found that internal control systems significantly influenced the financial performance of companies listed on the Nairobi Securities Exchange. Their findings emphasized the contribution of structured control environments, risk assessment, and control activities to organizational performance. Similarly, Bett and Memba (2017) reported a positive relationship between internal controls and financial performance, emphasizing the role of effective control environments and organizational processes.

Evidence from nonprofit and religious organizations supports the relevance of internal controls to financial accountability and organizational performance. In Kenya, Tanui et al. (2016) examined internal control systems for financial management in Protestant churches in Eldoret Municipality and highlighted the importance of formal control mechanisms in strengthening financial management within church organizations. The findings are relevant to faith-based institutions because effective financial stewardship requires structured procedures, segregation of responsibilities, monitoring, and accountability rather than reliance solely on individual integrity. However, the study was undertaken among Protestant churches in Eldoret Municipality, limiting its direct applicability to SDA Church ventures, whose governance and administrative arrangements may differ across denominational settings.

Evidence from the Kenyan nonprofit sector similarly demonstrates the contribution of internal control mechanisms to organizational performance. Bellehu (2022) examined internal controls and the financial performance of not-for-profit organizations in Kenya, focusing on the control environment, risk assessment, and information and communication. The study found significant relationships between key internal control dimensions and financial performance, suggesting that systematic control processes can strengthen the management and utilization of organizational resources. Nevertheless, because the study focused on not-for-profit

organizations generally rather than church-owned ventures, its findings provide contextual rather than denomination-specific evidence for the present study.

International evidence further demonstrates the relationship between internal control effectiveness and financial outcomes. Al-Thuneibat et al. (2015) examined the impact of compliance with internal control requirements on the profitability of Saudi shareholding companies and reported a significant positive relationship between internal control and profitability. The study underscores the importance of structured control requirements in safeguarding organizational resources and supporting financial performance. However, its corporate setting and Saudi Arabian context differ substantially from the governance environment of SDA Church ventures in Kenya. Consequently, the finding should be interpreted as broader evidence of the financial relevance of internal controls rather than as direct evidence applicable to religious organizations.

The church context further supports examining internal controls as a governance mechanism. Ouma and Muthimi (2024) investigated balanced organizational controls as an aspect of strategic leadership among selected churches affiliated with the Evangelical Alliance of Kenya and found a statistically significant positive relationship between balanced organizational controls and organizational performance. Their findings suggest that accountability-oriented controls and oversight mechanisms can improve organizational outcomes within church institutions. However, the study focused on EAK-affiliated churches in Nairobi City County and therefore cannot automatically be generalized to SDA Church ventures, which operate within a distinct denominational governance structure.

Collectively, the empirical evidence indicates that effective internal control systems can improve financial management, accountability, resource utilization, and organizational performance. However, much of the available evidence originates from general nonprofit organizations, corporate organizations, or denominations other than the SDA Church. Moreover, differences in governance structures, institutional policies, accountability arrangements, and organizational mandates limit direct generalization across contexts. This creates a contextual and empirical gap regarding the extent to which internal control systems influence the financial performance of SDA Church ventures in Kenya. The present study therefore provides a context-specific examination of this relationship.

3. Methodology

The study adopted a quantitative cross-sectional research design. The design incorporated descriptive, correlational, and causal-comparative approaches to examine the relationship between internal control systems and financial performance. The cross-sectional approach enabled data collection within a defined period and facilitated statistical examination of the association and predictive relationship between internal control systems and financial performance.

The study was conducted among SDA Church ventures in Kenya. The unit of analysis was the venture because internal control systems and financial performance were conceptualized as organizational-level constructs. The study included ten SDA-affiliated ventures drawn from the health, education, publishing, and hospitality sectors. The selection aimed to capture sectoral diversity while focusing on institutions operating within the SDA Church governance framework.

The study targeted 100 respondents occupying positions that provided familiarity with governance, financial management, and internal control processes. These included chief executive officers, business managers, chief accountants, internal auditors, accountants, and chaplains. We obtained 97 usable responses, representing a response rate of 97%.

Primary data on internal control systems were collected using structured questionnaires based on Likert-scale measurements. The internal control construct was assessed through statements relating to the existence and documentation of control mechanisms, consistent adherence to procedures, identification and mitigation of financial risks, communication of policies, adequacy of internal audits, management responsiveness to control weaknesses, and compliance with regulatory and organizational requirements.

The research instrument underwent pilot testing before the main study. The pilot study assessed the clarity, appropriateness, and suitability of the questionnaire items. The researcher supported content validity through a literature review and expert assessment, and assessed reliability through internal consistency procedures.

The study analyzed the data using descriptive and inferential statistics. Descriptive statistics summarized respondents' perceptions of internal control practices. Pearson correlation analysis determined the direction and strength of the relationship between internal control systems and financial performance. Simple linear regression analysis was then conducted to determine the predictive effect of internal control systems and to test the study hypothesis.

4. Results and Discussion

4.1 Descriptive Findings on Internal Control Systems

The descriptive findings indicate that respondents generally perceived internal control systems within the sampled SDA Church ventures positively. The results suggest that most institutions had established and documented internal control mechanisms, generally identified and mitigated financial risks, considered internal audits reasonably adequate, and demonstrated substantial compliance with organizational and regulatory requirements.

Table 1 presents the descriptive statistics for the internal control system indicators.

Table 1: Descriptive Statistics for Internal Control Systems

Internal control system indicator	<i>M</i>	<i>SD</i>
Effective internal control mechanisms are in place and documented for employees	4.26	0.90
Internal control procedures are consistently followed	3.92	1.06
The institution identifies and mitigates risks related to financial operations	4.13	0.89
Internal control policies and procedures are communicated and understood by employees	3.97	0.98
Internal audits are adequate in assessing internal control measures	4.07	0.90
Management is responsive in addressing deficiencies or weaknesses in internal control processes	3.97	1.10
The institution complies with regulatory requirements and organizational policies	4.00	1.11

Note. *N* = 97. Responses were measured on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Source: Field survey, 2024.

The highest-rated indicator was the existence and documentation of effective internal control mechanisms ($M = 4.26$, $SD = 0.90$). This finding suggests that the sampled institutions generally had formal control structures and expected employees to operate within documented procedures.

The identification and mitigation of financial risks also received a relatively high rating ($M = 4.13$, $SD = 0.89$), indicating that respondents generally perceived their institutions as attentive to risks associated with financial operations. Internal audits also received a positive assessment ($M = 4.07$, $SD = 0.90$).

Compliance with regulatory requirements and organizational policies recorded a mean of 4.00, although the relatively higher standard deviation ($SD = 1.11$) suggests greater variation across respondents and institutions. This may indicate that compliance practices varied among the sampled ventures.

The consistent application of internal control procedures recorded the lowest mean score ($M = 3.92$, $SD = 1.06$). Although this score remains above the midpoint of the scale, it suggests that having internal control policies does not necessarily guarantee uniform implementation. This distinction is important because the effectiveness of internal controls depends not only on formal documentation but also on consistent application across organizational activities.

Similarly, communication and understanding of control policies ($M = 3.97$, $SD = 0.98$) and management responsiveness to identified control weaknesses ($M = 3.97$, $SD = 1.10$) were rated positively but showed greater variability. These findings suggest opportunities to strengthen staff awareness and ensure identified weaknesses are addressed consistently and promptly.

Overall, the descriptive results indicate that internal control systems were relatively well established within the sampled SDA Church ventures. However, the findings also suggest that continuous implementation, communication, monitoring, and corrective action remain important areas for strengthening.

4.2 Correlation between Internal Control Systems and Financial Performance

Pearson product-moment correlation analysis was conducted to determine the strength and direction of the relationship between internal control systems and financial performance.

Table 2: Correlation between Internal Control Systems and Financial Performance

Variable	1	2
1. Internal control systems	1	.466**
2. Financial performance	.466**	1

Note. $N = 96$. **Correlation is significant at the .01 level, two tailed.

The results showed a moderate, statistically significant positive relationship between internal control systems and financial performance ($r = .466$, $p < .001$). This indicates that SDA Church ventures with stronger internal control systems tended to report better financial performance.

The positive association suggests that improvements in control procedures, monitoring, financial risk management, auditing, communication, and compliance are linked to improved

financial outcomes. However, the magnitude of the correlation also indicates that internal control systems are only one of several factors associated with financial performance.

This finding is consistent with agency theory, which suggests that effective controls reduce agency-related problems by strengthening accountability and limiting inappropriate resource use. It is also consistent with stewardship theory, which views internal controls as institutional mechanisms that support responsible and transparent management of organizational resources.

The result further aligns with the empirical literature reviewed in the thesis, which links effective internal controls with improved accountability, financial stability, resource utilization, and organizational performance across corporate, nonprofit, and faith-based settings.

Although the correlation establishes a significant association, it does not independently demonstrate causality. Regression analysis was therefore conducted to assess the extent to which internal control systems predicted financial performance.

4.3 Effect of Internal Control Systems on Financial Performance

Simple linear regression analysis tested the null hypothesis that internal control systems have no statistically significant effect on the financial performance of SDA Church ventures in Kenya.

Table 3: Model Summary

<i>R</i>	<i>R</i> ²	Adjusted <i>R</i> ²	SE of the Estimate	<i>F</i>	df1	df2	<i>p</i>
.466	.217	.209	.65430	26.098	1	94	< .001

Table 4: Regression Coefficients

Predictor	<i>B</i>	SE	β	<i>T</i>	<i>p</i>
Constant	1.850	.419	—	4.412	< .001
Internal control systems	.506	.099	.466	5.109	< .001

Note. Dependent variable: Financial performance. Predictor: Internal control systems.

The regression results demonstrate that internal control systems significantly predicted financial performance. The model explained 21.7% of the variance in financial performance ($R^2 = .217$), while the adjusted R^2 was .209. The .008 difference between the two values indicates limited shrinkage and suggests reasonable stability in the model's explanatory power.

The overall regression model was statistically significant, $F(1, 94) = 26.098$, $p < .001$. This indicates that internal control systems significantly predicted financial performance within the sampled SDA Church ventures.

The regression coefficient was positive and statistically significant ($B = .506$, $\beta = .466$, $t = 5.109$, $p < .001$). The unstandardized coefficient indicates that a one-unit increase in the internal control systems score was associated with a .506 unit increase in the financial performance score.

The standardized coefficient ($\beta = .466$) indicates a moderate positive effect. Thus, stronger internal control systems were associated with improved financial performance. Based on these findings, the null hypothesis that internal control systems have no statistically significant effect on the financial performance of SDA Church ventures in Kenya was rejected.

4.4 Discussion

The findings demonstrate that internal control systems have a significant positive effect on the financial performance of SDA Church ventures in Kenya. The correlation analysis established a moderate positive association, while the regression analysis confirmed that internal control systems significantly predicted financial performance.

The descriptive findings provide important insight into the mechanisms underlying this relationship. Respondents reported that internal control mechanisms were generally established and documented within their institutions. Respondents also generally identified and mitigated financial risks, and perceived internal audits as reasonably adequate. These practices provide an institutional foundation for accountability and financial discipline.

The finding relating to documented internal control mechanisms is particularly important. Clearly established and communicated controls guide employees on expected procedures and responsibilities. However, the slightly lower rating for consistent application of procedures suggests that formal controls are most effective when translated into routine organizational practice.

The results concerning internal audits also reinforce the importance of monitoring. Internal audit functions provide an opportunity to assess whether established policies and procedures are functioning as intended. More importantly, audit effectiveness depends on how well management responds to identified weaknesses. The finding that management responsiveness recorded a positive but relatively variable score suggests that identifying weaknesses should be accompanied by systematic follow-up and corrective action.

The positive effect of internal control systems on financial performance is consistent with agency theory. In organizations where managers and other employees handle decision-making and resource management, internal controls provide mechanisms for oversight and accountability. Through clear procedures, monitoring, auditing, and compliance requirements, organizations can reduce the risk of errors, misappropriation, and inefficient resource use.

The findings are also consistent with stewardship theory. Within faith-based ventures, internal controls can strengthen rather than undermine responsible leadership by providing leaders with reliable information, clear procedures, and accountability structures. Effective controls can therefore support the ethical management of resources entrusted to institutional leaders.

The finding that internal control systems explained 21.7% of the variance in financial performance demonstrates that internal controls are a meaningful but not exclusive determinant of financial outcomes. Other factors not included in the simple regression model accounted for approximately 78.3% of the variance in financial performance. These factors may include leadership effectiveness, risk management, stakeholder engagement, organizational capabilities, market conditions, resource availability, and broader economic circumstances.

This finding is consistent with the thesis literature, which recognizes internal controls as an important component of a broader governance framework rather than an independent determinant of financial sustainability. The empirical evidence reviewed in the thesis similarly

indicates that internal controls work alongside leadership, risk assessment, monitoring, information systems, and other organizational capabilities to influence performance.

The findings also support the thesis's broader conclusion that well-structured internal controls contribute to financial discipline, accountability, resource optimization, and operational efficiency within SDA Church ventures. The thesis specifically emphasizes that effective financial oversight mechanisms, compliance, segregation of responsibilities, and monitoring procedures can strengthen financial management and reduce the likelihood of financial misappropriation.

The results therefore suggest that SDA Church ventures should regard internal controls as a strategic governance mechanism rather than merely an administrative or compliance requirement. Policies alone are insufficient. Effective control systems require consistent implementation, regular monitoring, adequate communication, competent personnel, independent review, and timely management response to identified weaknesses.

5. Conclusion

This study assessed the effect of internal control systems on the financial performance of SDA Church ventures in Kenya. The findings established a moderate positive and statistically significant relationship between internal control systems and financial performance ($r = .466$, $p < .001$). Regression analysis further showed that internal control systems explained 21.7% of the variance in financial performance ($R^2 = .217$) and had a positive, statistically significant effect on financial performance ($B = .506$, $\beta = .466$, $p < .001$).

The study therefore rejected the null hypothesis that internal control systems have no statistically significant effect on the financial performance of SDA Church ventures in Kenya.

The study concludes that effective internal control systems contribute positively to financial performance. Ventures characterized by documented control procedures, financial risk identification and mitigation, adequate internal audits, policy communication, compliance mechanisms, and responsive corrective action are better positioned to strengthen financial discipline and resource accountability.

However, internal control systems do not determine financial performance on their own. The proportion of unexplained variance confirms that financial performance is multidimensional and influenced by other governance, managerial, operational, and environmental factors. Internal controls should therefore be integrated with broader strategies for leadership development, risk management, financial planning, and strengthening organizational capacity.

6. Managerial and Policy Implications

The findings indicate that SDA Church ventures should continuously strengthen and update internal control policies and procedures. Particular attention should be given to ensuring that documented controls are consistently implemented rather than existing only as formal institutional requirements.

Management should strengthen communication and staff understanding of internal control procedures. Employees involved in financial and operational processes should clearly understand their responsibilities, authorization limits, reporting requirements, and accountability obligations.

The internal audit function should also be strengthened to support regular compliance assessments and identify emerging control weaknesses. Audit findings should be accompanied by structured management responses and follow-up mechanisms to ensure that identified deficiencies are addressed within reasonable timeframes.

SDA Church ventures should further strengthen financial risk identification and mitigation procedures. Management should periodically review internal controls to ensure they remain responsive to changing operational conditions, emerging financial risks, technological developments, and regulatory requirements.

Finally, prioritize capacity development. The effectiveness of internal control systems depends substantially on the competence and commitment of employees responsible for implementing them. Training in financial procedures, compliance, internal controls, audit requirements, and ethical stewardship can strengthen the control environment's practical effectiveness.

7. Limitations and Directions for Future Research

The study employed a cross-sectional design and therefore examined the relationship between internal control systems and financial performance at a particular point in time. Future longitudinal research could examine whether improvements in internal controls produce sustained changes in financial performance.

The study also focused on ten SDA Church ventures. Although the institutions represented different sectors, future research could examine a larger sample of faith-based organizations and compare governance practices across denominations or sectors.

Further research could investigate which dimensions of internal control systems most influence financial performance. For example, future studies could examine the effects of the control environment, risk assessment, control activities, information and communication, and monitoring separately.

Future research could also examine whether organizational capabilities, intellectual capital, leadership effectiveness, or technological systems mediate or moderate the relationship between internal control systems and financial performance.

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