

Determinants of the Internal Control Effectiveness of Selected Seventh-day Adventist Church Entities in Madagascar

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Abstract: Internal control must be the everyday life of each organization as it is the process established by the entity's management for preventing and detecting frauds, errors, and thefts to achieve its established missions and objectives. The purpose of this study is to explore the determinants of the internal control effectiveness of four selected SDA church entities, composed by university, printing book, medical center, and conference, in Madagascar.

With the target population of 310 workers, questionnaires and structured interviews were used to collect data after being analyzed with SPSS 23rd version. With the level of significance at 0.01, just four components of internal control of these four selected entities contribute to their internal control effectiveness, the dependent variable of the study. Accordingly, the determinants of the internal control effectiveness of these four selected entities by order of impact are the information and communication system, risk assessment, control activities, and monitoring of control. Based on the study's findings, the main recommendation and implication is that an internal audit unit should exist within those entities.

Keywords: SDA church entities in Madagascar, Internal control, Control environment, Information and communication system, Risk assessment, Control activities, monitoring of controls, and Internal control effectiveness.

Introduction

It is argued that fraud is involved in some of the biggest entity failures (Forensic, 2016). Many fraudulent acts, embezzlements, thefts, and

errors occurred because of ineffective internal control. That is why each entity should have an effective internal control. Patterson and Smith (2007) suggest that effective internal control makes fraud commitment difficult and makes fraud detection easy. Ofori (2011) suggests that ineffective internal control leads to ineffective programs and losses. It is reasonable to say that one reason for an entity's failure is ineffective internal control.

Many researchers studied internal control from different perspectives, but none has focused it on a faith-based organization, where trust is more important than control, especially in Madagascar. That is why the researcher decided to conduct his research in four selected Seventh Day Adventist (SDA) Church entities in Madagascar.

The SDA Church, a nonprofit and faith-based organization, is also subject to the internal control effectiveness. The Indian Ocean Union of Conferences of the Seventh-day Adventist Church (IOUC) requires its entities in Madagascar that the financial reporting is reliable and that the operations are effective and efficient. IOUC also wants entities to function under the laws and regulations of the country. In addition, IOUC requires them to prevent, detect, and eliminate frauds and errors to have accurate and timely financial statements on which each entity's management can depend in its decision-making process for the entity's success. Having effective internal control leads to accurate financial reporting, the effectiveness of the operations, and respect for the law, enabling these entities to achieve an unqualified opinion from the auditors. Unfortunately, some of the entities cannot achieve these goals and objectives, and recently, embezzlement cases have occurred because of ineffective internal control in the workplace. There is internal control, but it is not as effective

as it should be. Thus, the purpose of this study was to explore the determinants of the internal control effectiveness of four selected SDA church entities in Madagascar.

Review of Literature

The main objective of an entity is to be successful financially and administratively. In order to reach that objective, the entity must have control over all operations by following all procedures and policies the management and the governing committee set in place. Garrison et al. (2015) argued that it is the role of management to put in place internal control mechanism. Patterson and Smith (2007) added that the management designs and implements the internal control system. Even though the General Conference of Seventh-day Adventists (2011) proposes that the management is responsible for designing and operating an internal control system that guarantees the effectiveness and efficiency of the entity's operations. Hence, the entity's management cannot deny its responsibility regarding the internal control system.

Empirical Study

Several researchers have studied internal control from different perspectives. For example, Akani and Akaninyene (2015) studied the Nigerian Banks. They found that effective internal control depends on the timely presentation of reports, respect for authority, readiness to effect changes, lack of complicity of workers for bad things, the competence of the employees, independence of internal control team, management compliance of control, salary and wage of internal control staff, cost of establishing internal control processes, readiness to apply controls, control measures for uncommon transactions, and structure of the organization. Lemi (2015) also studied the effectiveness of internal control of the public universities in Ethiopia and found that the five components of the internal control are the control environment, the risk assessment, the communication and information system, the control activities, and the monitoring of control, are the determinants of internal control effectiveness. Then Ofori (2011) used the same five components of internal control as the determinants of internal control effectiveness.

However, Jun (2015) found out that the internal control effectiveness is influenced by the corporate governance structures, which involve the participation of the owners with the board of directors and the senior managers in the enterprise start-up and the enterprise development stages. Besides, Nyakundi, Nyamita, and Tinega (2014) found that the internal control and the entity's financial performance are related.

Though several studies have been conducted on internal control effectiveness and have shown that it depends on the five components of internal control, the current study is different and will contribute to extant literature. The context of the current study is centered on faith-based entities in Madagascar, particularly the SDA Church.

Components of Internal Control

The effectiveness of internal control depends on the effectiveness of its components – the control environment, risk assessment, information and communication system, control activities, and monitoring of controls (Frimpong et al., 2012; Whittington & Pany, 2008).

Control environment. The system of internal control of an organization starts with the control environment. Whittington and Pany (2008) noticed that it is the base for the other components of internal control. Control environment elements include integrity and ethical value, the competence of employees, executive committee, audit committee, style and philosophy of the management, the structure of the organization, allocation of authority and responsibility, and human resource policy. Chen and Shi (2012) pointed out that the control environment affects the entity's operations and the other components of internal control. That is why entities should have appropriate control environment in the workplace. Harrison Jr. et al. (2014) recognized that control environment is the tone at the top level of the business which starts with the owner and the top management. That is, the top management should be an example for the employees. The Southern Africa-Indian Ocean Division of the General Conference of the Seventh-day Adventists (2015) also suggests that all officers from the General Conference to the smaller entities should set an example to inspire confidence in the entity's integrity. The top

management should demonstrate the importance of internal control if they want controls to be taken seriously by employees. Accordingly, Messier et al. (2008) argued that the control environment is the umbrella that shelters the whole entity.

Risk assessment. Risks within an entity should also be controlled. The steps needed to assess risks are risk identification, risk analysis, evaluation and risk control, and reporting within the entity (Chen and Shi, 2012). Thus, after identifying, analyzing, and evaluating risks, entity management control risks by transferring, opposing, and dispersing them. Risk assessment is the process used to identify and respond to all risks in the organization (Messier et al., 2008). It is argued that each entity has to identify its business risk and has to be able to establish processes used to deal with those risks in order to minimize their impacts (Harrison Jr et al., 2014).

Information and communication system. Another major problem of any entity is when there is no effective flow of information in the workplace. Management should communicate all information needed about internal control to all employees so that all are aware of their responsibility in the internal control process and system. Lymbersky (2014) argued that insufficient or ineffective internal communication can create a crisis in the workplace. In any entity, everyone needs accurate information to perform well one's job and make decisions. The Committee of Sponsoring Organizations of the Treadway Commission (2013) viewed that information is very important in the internal control system as it helps the entity achieve its objectives. There should be good communication of relevant and quality information within an entity. The Committee of Sponsoring Organizations of the Treadway Commission (2013) defines communication as the constant and iterative process to provide, share, and obtain relevant information. Frimpong et al. (2012) suggest that there should be mechanisms or systems in the workplace to obtain and communicate relevant and timely information. The General Conference of Seventh-day Adventists (2011) asserted that the communication system includes all processes and methods used to inform workers about their responsibilities and roles. All employees should understand their role and responsibility to perform their job well, and that role and responsibility

should be communicated correctly. Thus, to have effective internal control, accurate information should be obtained and communicated in the right time. That is why having effective information and communication system is very important.

Control activities. Then control activities are the policies and procedures that support, help and assure that employees follow the management's directives. The management uses the control activities to address the risks which threaten the achievement of the company's objectives. The Office of Internal Audit at Northwestern State University (2017) suggests that control activities are the policies and procedures designed to ensure that all the management's instructions are followed. Atkinson, Kaplan, Matsumura, Young, and Kumar (2009) argued that control activities measure and evaluate the performance of existing systems of the company to identify how the systems are contributing to the company's objectives achievement and Lymbersky (2014) added that insufficient controlling process is the cause of entity failure. Thus, control activities are vital. Whittington and Pany (2008) gave different types of control activities, including the review of performance, control of information processing, physical controls, and separation of duties.

Monitoring of control. Internal control should be assessed over time. That is why there is the monitoring of controls. Messier et al. (2008) defined monitoring of controls as a process that evaluates the internal control's performance over time. Accordingly, it is important to monitor internal control to determine if it is carried out as planned and if any adjustments are necessary (Whittington and Pany, 2008). In addition, Messier et al. (2008) suggest that management should monitor internal control to see if it operates effectively. It can be done through ongoing activities or separate evaluations. Messier et al. (2008) described the ongoing monitoring activities as the regular supervision and activities while the separate evaluations are monitoring activities that are periodically performed. Most of the time, the internal auditors perform separate evaluations.

Internal Control Effectiveness

Dittmeier and Casati (2014) argue that internal control effectiveness indicators involve the design and the performance of internal control system. Dittmeier and Casati (2014) argued that the internal control system is well designed when it is relevant, timely, and strong, and it is effectively performed when all resources needed to perform the controls are available, there is compliance to the controls as designed; meaning that the controls are considered adequate and there are activities in place which are able to monitor and measure possible residual risks and this ascertains the degree to which control objectives are not reached.

Limits of Internal Control

The internal control system has limitations because of many reasons. Internal control cannot guarantee the total achievement of the entity's objectives because it can break down (Garrison et al., 2015). Whittington and Pany (2008) argue that internal control can protect the entity against errors and fraud and ensure that the accounting information is reliable, but it is important to recognize its inherent limitations. Even the General Conference of Seventh-day Adventists (2011) recognizes that no internal control can provide absolute assurance that all the entities' objectives will be achieved. Messier et al. (2008) state that the effectiveness of internal control is subject to certain essential limitations, including the overrule of the internal control by the management, errors or mistakes, and employees' complicity or collusion. There is also the cost perspective in the limitations of internal control. Harrison Jr. et al. (2014) quoted that "the stricter the internal control system, the most it costs" (p. 242). The cost of having the best internal control system is very high and firms cannot afford such costs.

Research Questions

The central objective of the study was to explore the determinants of the internal control effectiveness of the SDA church entities in Madagascar. The following research questions were posed :

1. Does the control environment of the four selected SDA church entities in Madagascar have a relationship with their risk assessment, information and communication system, control activities, and monitoring of controls?
2. Does the control environment of the four selected SDA church entities in Madagascar affect their internal control effectiveness?
3. Does the risk assessment of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?
4. Do the information and communication systems of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?
5. Do the control activities of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?
6. Does the monitoring of controls of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?

Methodology

This section describes the research design used, the research setting, the population and the sampling procedure used to select the respondents, the data collection procedure, the instrument validity and reliability, the data analysis and the ethical consideration.

Research Design

This study aimed to explore the determinants of the internal control effectiveness of selected SDA church entities in Madagascar. Therefore, a causal research design was used to examine the effect of the five components of internal control on the internal control effectiveness.

Research Setting

The study was conducted within one year. Four selected SDA entities in Madagascar were used, and they are all located in the center of the country. All categories of workers within these entities were involved in the study.

Population and Sampling

For this study, the population comprised 310 employees of four selected SDA entities in Madagascar: administrations, heads of department, accounting and finance staff, office staff, frontline staff which includes the church’s district pastors, faculty members, production staff, and others. Since the population was relatively small, the entire population was used for the study.

Data Collection Procedure

To collect the data, a self-designed questionnaire and interview were used. The questionnaire that was used for the study was designed by the researcher based on the review of literature and the Southern Indian Ocean Division of the SDA church accounting manual questions used to assess the internal control system. On the other hand, structured group interviews were conducted with the employees in the finance department and the management to gain more information to supplement the questionnaire results.

Instrument Validity and Reliability

Both face validity and content validity of the instrument were tested. The interitem consistency reliability was also tested using Cronbach’s coefficient alpha. According to Sekaran and Bougie (2013), the closer the Cronbach’s alpha is to 1, the more the internal consistency reliability of the instrument is ensured.

Table 1

Reliability Statistics of the Survey Instrument

Cronbach’s Alpha	Number of Items
.948	51

Table 1 shows the Cronbach’s alpha for the actual study, indicating that the coefficient is 0.948 which means excellent. Thus the internal consistency reliability is high.

The researcher has also run a pilot study prior to the actual study to correct possible flaws in the instrument. The questionnaire was given to the respondents and was collected by the researcher.

Data Analysis

After collecting all the data, the researcher analyzed them with the Statistical Package for the Social Sciences (SPSS). The first step was coding and data entry to make the data ready for analysis. Then the researcher edited the data entries to ensure accuracy and proceeded to analysis, and descriptive statistics were used to summarize the general characteristics of the respondents. Correlation and multiple regression were used to answer the study’s research questions.

Ethical Consideration

Because human participation was involved in this research, all of the following steps have been followed carefully and sequentially to avoid any ethical misconduct.

It started with the approval from IOUC for the researcher to conduct the study. Then, institutional consent and approval were granted by the participating entities. Each entity received a report showing the summary and the result of the study.

One important thing is the instruction for the individual participants. An introductory letter to the questionnaire was given to each participant explaining the study’s objective and showing how confidentiality was maintained. In the questionnaire, instructions have been given to guide the participants about giving their answers and inputs. The questionnaire was anonymous. Each employee was free to participate in the survey, and each participant could freely withdraw from the study at any time with no sanction.

In addition, to avoid plagiarism, the work of others used in this research has been acknowledged, and all references were given.

Results and Discussions

The study was conducted with four selected SDA church entities in Madagascar, and the response rate for the study was 65.16%.

For the study, the gender proportion of the male respondents is 73.8%, while the female respondents were 26.2%. Each age group also was represented but of the age group 30-39 years were the most represented with 45.5% followed by the age group 20-29 years represented with 27.7%

then the age group 40-4 years represented with 15.8% then the age group 50 or more represented with 10.4% and the smallest is age group 19 or less represented with 0.5%. Looking at the year of service of the respondents, the most represented year of service group is 5-9 years, which equals 33.2%. 30.7% of the respondents represents the year of service group 1-4 years. 22.3% of the respondents represents the year of service group 10-14 years. 13.9% of the respondents represents the year of service group 15 or more. Regarding the level of education, the Bachelor's Degree is the most represented with 47.5%, followed by the Master's Degree (18.3%), then the Diploma with 12.4% and the smallest is the Doctoral with 5.9%. The department with the highest number of respondents is the frontline staff (47%). Then the other departments including the cleaning, security department and other (20.3%) followed by the office staff (12.4%). The heads of department represented 11.4% of the respondents, followed by the accounting and finance department (5% of the respondents). The smallest group of respondents were the administrators (4%).

Looking at the descriptive statistics of the study, Table 2 shows the results for each variable. The control environment indicates the general atmosphere of internal control atmosphere surrounding the internal control system. According to Table 2, the overall mean of the control environment is 3.93, indicating that the control environment of the four selected SDA church entities is effective. All risks within the entity should also be assessed for the well-functioning of the entity itself. Table 2 shows that the risk assessment of these selected entities

needs to be improved as its overall average mean for risk assessment is 3.59. As information is needed for each level of the entity's hierarchy for decision-making purposes, there should be an effective information and communication system.

As indicated in the Table 2, the majority of the respondents generally agreed about all elements of information and communication system used for the study as the overall average mean is 3.9505. Control activities, including the review of performance, control of information processing, physical controls, and separation of duties, are the policies and procedures that support, help, and assure that the management's instructions are followed. Table 2 seems to indicate that the control activities of those selected entities are effective since the overall average mean is 3.86. The monitoring of controls is the process that evaluates the performance of the internal control over time. According to Table 2, monitoring those selected entities' control is ineffective (the overall average mean of control monitoring is 3.21). Usually, internal control is effective when it is well designed and well performed. Internal control is well designed when it is relevant, timely, and strong and it is well performed when there is no residual risk in general. Table 2 shows that the overall average mean for internal control effectiveness is 3.65, indicating that internal control tends to be ineffective.

In the questionnaire, two open-ended questions were used for the study to collect additional information.

The first question was, what are the general ideas about internal control that are implemented by the entity? For the four selected SDA church

Table 2
Descriptive Statistics for the Variables of the Study

Variables	N	Min	Max	Mean	SD
Control environment	202	2.23	4.92	3.9318	.44160
Risk assessment	202	1.88	4.88	3.5990	.54216
Information and communication system	202	2	5	3.9505	.56567
Control activities	202	2.33	4.89	3.8652	.47838
Monitoring of control	202	1	4.50	3.2067	.48386
Internal control effectiveness	202	1.22	4.89	3.6502	.53566
Valid N (listwise)	202				

entities in Madagascar, the respondents said that the internal control implemented is good and effective, but there is room for improvement.

The second question was, what do you consider the internal control areas that need improvement in the entity? According to the respondents, all employees should have their job descriptions to do their job effectively. Information should be communicated correctly, especially the entity and department's objectives. Communication and relationship between the management and employees should be improved. The correction of risk identified should be immediate. The internal control of the entity should be consistent and clear for every worker. There should be enough training about internal control, and it should be implemented in each department or section. Human resources should be appropriately treated for motivation purposes, and each employee must report to the supervisor for the performance evaluation purpose. Trust between the management and the workers should be improved. For the physical assets, there should be a proper periodic inventory. There should be periodical budget control. Cash control and management should be improved. Moreover, a permanent internal auditor should assess the entity's internal control.

Ten questions were used to collect more information from the management teams during the interviews. The questions and their answers are presented as follows.

Do you collectively make decisions, or are they controlled by one dominant individual? The management team explained that the Administrative Committee makes each significant decision, some by the existing sub-committee. Some administrators mentioned that there are decisions that the Board of Directors' Committee takes with the union.

Do an audit and other control systems exist to periodically test the compliance with codes of conduct or policies? According to the management, team the audit exists periodically.

To what extent are employees encouraged to report suspected improprieties to management or the governing committee of the entity? According to the management team response, their employees are encouraged to report all suspected improprieties, but the challenge as

one administrator mentioned is that the culture in Madagascar, one of "Fihavanana," pushes employees not to report the high authority.

To what extent are clear objectives for all key activities of the entity documented and communicated to employees to provide effective direction on risk assessment and control issues? According to the management team response, there is a strategic plan where the objectives of each department and entity are documented. Some administrators mentioned that the objectives are communicated, and employees are reminded of them regularly.

Do you consider and appropriately address the entity's issues regarding the use of technology? All of the managers said that technology is very primordial and the issues regarding technology are considered and addressed. Some administrators mentioned that their entity is far from the urban centers and the cost to access and use the needed technology is high. The situation impacts the entity's ability to improve technologically.

Do you discuss and appropriately consider control issues when planning an activity? According to the management team, there are discussions and consideration of control issues during the planning phase of an activity.

Do you receive timely, relevant, and reliable information for decision-making? As the management team interviewed said, they try to ensure information is issued timely.

Does the board of directors of the entities control the entity effectively? Some administrators said that the board of directors do not effectively control the entity, and some said that the board does. Some administrators mentioned that the board of directors is reactive rather than proactive.

Do you compare the actual result with the voted budget at regular intervals? According to the management team, a comparison of actual results with the voted budget exists regularly. Some explained that the committee discussed the financial statements and the budget together.

Do you consider the audit findings and recommendations and take adequate actions? The management team answered that they consider the audit findings and recommendations and comply, although there is room for improvement.

Another ten questions were used for another group to collect additional information from the finance teams during other interviews. They are summarized as follows.

To what extent are your accounting procedures segregated? The accounting and finance team explained that segregation of duties exists within the accounting and finance office.

To what extent are all financial transactions reviewed by the key managers? According to them, each financial transaction is reviewed by the key managers. They explained that the chief accountant, associate treasurer, and chief financial officer are in charge.

Do processes exist for independent verification of transactions to ensure integrity? The interviewees stated that the internal auditor should do the independent verification. As there is no internal auditor within the entity, transaction verification to ensure integrity is done by the key managers and the external auditor during the audit time.

Does a system exist in your department to ensure that duties are rotated periodically? The response is that there is no system to ensure periodic rotation of duties.

Do the location and use of the equipment used in the entity get tracked correctly? The team said that the large equipment is tracked correctly, but the small tools and equipment are not tracked correctly.

in the entity. Some explained that there is a safe within the entity to keep liquid cash.

Can you explain the system of reconciliation of the entity? The team explained that one employee in the accounting office is responsible for reconciliations. An official reconciliation statement form is used, and another accountant posts all needed posting related to the reconciliation process.

Does the manager or employee other than the one in charge of the review and approve the reconciliations? The team mentioned that all reconciliations are approved by the Chief Financial Officer and signed by the one in charge of the reconciliation.

Is there a different employee to record and process the transactions than the one who prepares the entity's financial statement? According to the team, there is a different employee for each type of task. Generally, it is the chief accountant who prepares the financial statements.

To what extent are financial statements prepared at frequent or regular intervals? The team affirmed that the financial statements are prepared at regular intervals.

RQ1. Does the control environment of the four selected SDA church entities in Madagascar have a significant relationship with their risk assessment, information and communication system, control activities, and monitoring of controls?

Table 3

Pearson Correlation Matrix of Internal Control Variables

Variables		Risk Assessment	Information and Communication System	Control Activities	Monitoring of Control
Control Environment	Pearson Correlation	.610**	.737**	.703**	.469**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	202	202	202	202

Sig. 0.01 (2-tailed) **

Is adequate physical security for cash provided in the entity? According to the accounting and finance team, there is physical security for cash

According to Pearson correlation in Table 3, the control environment of these selected SDA church entities has a significant relationship with

their risk assessment ($r = .610, p < .01$), information and communication system ($r = .737, p < .01$), control activities ($r = .703, p < .01$) and monitoring of controls ($r = .469, p < .01$).

Table 4

Regression Model Summary

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	.853 ^a	.728	.721	.28273

a) Predictors: (Constant), Monitoring of Control, Information and Communication System, Risk Assessment, Control Environment, Control Activities

Looking at the adjusted R square in Table 4, the monitoring of control, information and communication system, risk assessment, control environment, and control activities account for 72.1% of the effectiveness of internal control of those selected SDA church entities.

Table 5

ANOVA of the Regression

		ANOVA ^a				
Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	42.006	5	8.401	105.095	.000 ^b
	Residual	15.668	196	.080		
	Total	57.673	201			

a. Dependent Variable: Effectiveness of Internal Control

b. Predictors: (Constant), Monitoring of Control, Information and Communication System, Risk Assessment, Control Environment, Control Activities

Table 5 shows that the regression model related to the present study is statistically significant ($F = 105.095, p < .01$).

RQ2. Does the control environment of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?

According to Table 6, the control environment is not significant to the regression model of the study ($p > .01$). Thus, control environment of these selected SDA church entities in Madagascar does not have an effect on their internal control effectiveness.

RQ3. Does the risk assessment of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?

Table 6 shows that risk assessment is significant to the regression model ($p < .01$). Risk assessment contributes to the internal control effectiveness of these selected SDA church entities in Madagascar. Hence, risk assessment has an effect on their effectiveness of internal control.

RQ4. Do the information and communication systems of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?

Table 6 shows that information and communication system are significant to the regression model ($p < .01$). Thus, information and communication system also contribute to the internal control effectiveness of these selected SDA church entities in Madagascar and have an effect on their effectiveness of internal control.

Table 6
Coefficients of the Regression

Model		Coefficients ^a				
		Unstandardized coefficients		Standardized coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.298	.191		-1.561	.120
	Control Environment	.036	.074	.030	.489	.625
	Risk Assessment	.244	.050	.247	4.864	.000
	Information and Communication System	.305	.059	.322	5.172	.000
	Control Activities	.246	.069	.220	3.597	.000
	Monitoring Control	.240	.051	.217	4.743	.000

Dependent Variable: Effectiveness of Internal Control

RQ5. Do the control activities of the four selected SDA church entities in Madagascar have an impact on their internal control effectiveness?

Table 6 indicates that control activities are significant to the regression model of the study ($p < .01$). That means that control activities contribute to the effectiveness of internal control of these selected SDA church entities in Madagascar as well. Thus, control activities have an effect on their internal control effectiveness.

RQ6. Does the monitoring of controls of the four selected SDA church entities in Madagascar have an effect on their internal control effectiveness?

To answer the last question, Table 6 shows how monitoring of controls is very significant to the regression model of the present study ($p < .01$). That indicates that monitoring of controls also contributes to the effectiveness of internal control of these selected SDA church entities in Madagascar, which means that monitoring of controls has an effect on their internal control effectiveness.

Then according to Table 6, the multiple regression model for this study which is statistically significant according to Table 6, is as follows:

$$EIC = .247 RA + .322 IC + .220 CA + .217 MC$$

Where, EIC = Effectiveness of internal control; RA = Risk assessment; IC = Information and communication system; CA = Control activities; and MC = Monitoring of control.

According to this model, the determinants of the internal control effectiveness of the four selected SDA church entities in Madagascar, by order of impact, are information and communication system, risk assessment, control activities, and monitoring of control. The findings differ from what Lemi (2015) found in his study about non-faith-based organizations, where all components of internal control are determinants of its effectiveness.

Conclusion

It was found that the effectiveness of internal control of the four selected SDA church entities is not very high due to the deficiencies in the risk assessment and monitoring of control. The study revealed that there is no internal audit unit within those selected SDA church entities to assess and monitor the internal control effectiveness on a regular basis. Moreover, the internal control system of those entities has room for improvement, especially in the area of risk assessment and monitoring of control.

The findings lead to the conclusion that the determinants of the effectiveness of internal control of those selected SDA church entities are the risk assessment, information and

communication system, control activities, and monitoring of control. This finding differs from that of Lemi (2015).

Consequently, based on the study findings, the following recommendations are given to assist the management of the IOUC's selected entities in improving the effectiveness of their internal control as they are the first responsible for assuring the well-functioning of it.

As motivated employees work more effectively, the researcher recommends that the management find out the source of motivation of the entity's employees and pay serious attention to it. Further, it is recommended that there be a periodical budget control to guide the management for the financial aspect of the entity.

Thus, for the control environment and the well-functioning of the internal control system, it is recommended that management ensure regular training for all the employees and find the appropriate philosophy and operating style for the entity's environment. The organizational structure or chart of the entity should be clearly defined appropriately to the entity's size and function and communicated to the employees. It is recommended that the entity's policies and

practices be formalized and communicated to each employee. Concerning the risk assessment, it is recommended that management inform the employees about the entity's risk assessment process and help them understand it for its well-functioning. A clear strategy for identifying, evaluating, and correcting all risks should be put in place. They should set up also a clear strategy for ensuring that all risks are assessed on an ongoing or continuous basis. As for the information and communication system, each employee must receive a job description that clearly defines their authority and responsibility. Then for the control activities, it is recommended that each employee have a monthly report to the supervisor of what they achieved and what they have not accomplished. Also, it is recommended that there be a review of each employee's performance regularly and appropriately. It is further recommended that adequate physical security for cash and other assets subject to theft be provided for each department or section of the entity. There should be an ongoing system for checking the integrity of each employee. Finally, for the monitoring of control, it is recommended that an internal audit unit be used to monitor the control of the entity on a continuous basis.

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