

ABSTRACT

Internal controls help prevent errors and irregularities from occurring. If errors or irregularities do occur, internal controls will help ensure they are detected in a timely manner. However, there are financial challenges in Seventh Day Adventist churches (SDA) evidenced by financial statements, there is poor budgetary controls, low liquidity and working capital levels. They are therefore faced with many financial challenges hindering their mission, vision and growth. Empirical evidence shows that, good internal controls may influence the financial performance of organizations. While past studies indicate contradicting evidence on the influence of internal controls on financial performance, studies on the link between review of control environment, review of existence of assets, conduct of annual audit to financial performance in the seventh Day Adventist church is missing. Therefore, the general objective of this study is to determine effect of internal control systems on financial performance of SDA churches in Kenya. Specific objectives of the study were to; determine the relationship between review of the control environments and financial performance; establish the association between the review of existence of assets and financial performance of SDA church and establish the relationship between conduct of annual audit and financial performance of SDA church. The study was anchored on the systems theory, and lending credibility theory. Correlation research design was employed. The study target population was all the 200 employees of the centre. Stratified random sampling was used to select 67 respondents for the study. Both primary data collected using questionnaires and secondary data collected using review. Inferential statistics using Pearson correlation analysis was used to analyze data. The findings were that indicates that review of control environment and financial performance had a positive and significant association ($r = .457, p = .000$) implying that review of control environment leads to improved financial performance; review of existence of assets had a positive and significant association with financial performance ($r = .441, p = .000$) meaning that review of assets leads to improved financial performance and conduct of annual audit and financial performance had a positive and significant association ($r = .256, p = .000$). The data is presented in tables and figures. The findings of the study may benefit policy makers in new policy formulation, investors on how to partner with the fund and future researchers in the area internal control systems in relation to financial performance.