Promoting Financial Accountability in Churches & Parachurch Institutions.

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ABSTRACT

All organizations, including churches, must be transparent and responsible with financial resources to maintain confidence and the credibility of their stakeholders. Resource management for churches is an important aspect of the church’s supply chain because churches are obligated to take care of and manage member gifts and donations. It is imperative for churches to set explicit policies for the handling, documentation, and reporting of resources. These policies should address budgetary planning, spending approval, and the implementation of measures to prevent fraud and conflicts of interest. Additionally, churches have the freedom to release annual financial reports or updates that include financial data including sources of income, costs, assets, and liabilities. Annual budgets comprising estimated revenues and expenses are developed and presented to the leadership for review and approval. Churches have an opportunity to have outside professionals conduct an impartial review or audit of their financial records. Additionally, churches have the ability to form finance committees made up of knowledgeable and seasoned experts in human resources, accounting, taxation, and law who can provide expert counsel. A mechanism for tracking and recording member donations ought to be in place within the church. Information regarding the receipt and distribution of funds via various channels of communication should be transparent. Although the aforementioned is commendable, it should be highlighted that accountability by itself faces numerous difficulties, such as opposition to change and the aversion of the status quo to adopting novel approaches. An inability to establish appropriate financial management guidelines could also be the result of ignorance. Complicating matters is the fact that some volunteers may sincerely wish to help but lack the appropriate education and training. Members of the board, for example, who oversee the church's governance, may be financially illiterate. The Chairman's Role in Financial Accountability is only realised when there is an effective implementation of a meaningful mission through an effective board with people elected into offices with well-capacitated board members. Well-functioning boards have a stake in the church's ability to carry out its mission plan. This is accomplished by holding frequent meetings and aggressively managing essential operational tasks, such as monitoring the church budget.

INTRODUCTION

One topic of discussion among churches and parachurch organisations is the handling of finances, which is essential to a church's smooth operation, credibility, and public confidence. At its center is a dispute about what constitutes financial accountability. Since churches have to provide for and administer member contributions, resource management is a crucial component of church management (Smith 2018).

Different churches and denominations are going to operate differently in these areas, and a wide range of variables may impact how they approach financial management and communication with members - whether those variables involve congregation preferences or church size, or other resources. There is the danger, however, of ignoring this area and this may lead to financial problems owing to the undermining of the necessity to follow any accepted principles of financial management (Jones 2020; Brown & White 2019).

TRANSPARENCY AND ACCOUNTABILITY IN THE USE OF FUNDS

It is imperative for all organisations, including churches, to uphold the trust and credibility of their stakeholders by being accountable and honest with their financial resources. To demonstrate that they are competent and accountable resource managers, organisations need to be open and honest about their financial transactions (Smith 2018). Churches, being not-for-profit organisations, often rely on donations and gifts from both their members and the larger community. They need to set up systems that ensure transparency and accountability in the financial management process. Churches frequently have several established safeguards in place to guarantee accountability and openness in their financial management. Among the more conventional methods are the following:

Fiscal Guidelines

Churches must have explicit policies and procedures that specify how funds should be handled, tracked, and reported. Such regulations often cover the drafting of a budget, the approval of expenses, and safeguards against fraud and conflicts of interest. Clear financial policies provide a systematic framework for the church to have open and honest operational finances (Nonprofit Risk Management Center, 2021).

Financial Reporting.

Poper financial reporting of church accounting ensures that churches keep their members and stakeholders up to date on the financial position and operating activities of the church (Smith 2018). Churches may also publish yearly financial reports or updates that contain financial information about income streams, expenses (cost controls), assets (owning property), and liabilities (taking on debt/equity) in addition to the status of operations and general accounting practices independently produced by auditors or certified by church personnel who write these reports by accounting standards for accuracy (Smith 2015). In other instances, they can hire professionals from a competent Finance Team with qualified personnel who will help prepare financial statements that need to get approved by a board higher than them. When qualified people are involved in the preparation of financial reports, compliance with regulatory requirements is guaranteed (Wilson 2020).

Planning and Budgeting:

Churches develop budgets every year that comprise projected revenues and expenses. These budgets are given to the leadership for scrutiny and approval. In congregational governance systems, the congregation may be involved in the budgeting process, fostering transparency and providing insight into the utilization of financial donations. Alternatively, in Presbyterian systems, boards play a key role in the budgeting process (Smith 2015).

Independent Financial Review or Audit:

Sometimes, some churches may opt for an independent review or audit of their finances by outside experts. Consequently, this procedure encompasses a careful examination of the church's financial records, internal control mechanisms, as well as adherence to legal and accounting standards. In most cases, the findings from the review or audit are communicated to members of the congregation to enhance accountability and transparency. According to Independent financial reviews or audits are crucial mechanisms for guaranteeing that religious institution uphold appropriate financial management practices and adhere to the General Accepted Accounting Practices (Jones 2020). By disseminating the results to their members, churches show that they are dedicated to maintaining financial honesty.

Finance Committees

Churches may also set up finance committees made up of knowledgeable and seasoned experts in human resources, accounting, taxation, and legal background. Expert guidance can be provided through assistance in preparing financial statements that adhere to generally accepted accounting principles and also complying with any legal and human resources practices. The church can obtain expert counsel for free from its file and rank by utilising such a committee.

Systematic tracking of members contributions

Churches handle members' money for various projects, events, and activities. The church should have a system that can record and track members' contributions (Johnson 2018). To enhance transparency and accountability, the systems should even be able to record individual member contributions, making it possible for one to get a statement when needed. When contributions are transparently tracked, and disbursements are done by following the organization's policies and procedures, members will gain confidence with those charged with governance of the church (Brown 2020).

Leadership and Congregational Meetings.

There should be openness about how money is being received and disbursed through different lines of communication such as bulletins, magazines, and open meetings amongst others (Simth 2015). Financial reports are typically exchanged by committees in churches that follow the Presbyterian model of church government. Churches that use congregational governance systems usually involve congregation to discuss the financial reports and any money matters. Whatever the governing structures in place, there need to be an environment of transparency where members feel free to ask questions, receive answers, or even make recommendations about how the church should be run.

Additionally, this is particularly important when members are invited to participate in a project or event. Congregation members possess the entitlement to inquire about the amount of money obtained for a project, its utilisation, and the future plans (Jones 2018). It should be noted that accountability on its own has many challenges as discussed below.

COMMON CHALLENGES IN HAVING FINANCIAL ACCOUNTABILITY IN CHURCHES/ PARACHURCH INSTITUTIONS.

Resistance to Change:

People in organisations have a propensity to oppose change for a variety of reasons, such as a comfort level with the status quo, fear of failing, or a basic fear of the unknown (Kotter and Schlesinger 2008). At any institution, the old guard typically does not accept new methods of operation. "We have been doing this for all the years and it has been working very well for us," or "Why do you want to confuse us with your new practices, we are not at school, this is a church," are common statements made by the organization's veterans.

Religious institutions, in particular, tend to be conservative when it comes to change because of their deeply rooted traditions and convictions (Jones 2010). Church leadership may be hesitant to adopt open and accountable financial practices because they view them as unnecessary or incompatible with the principles they hold dear. Establishing new financial rules, reporting systems, or accountability measures is usually faced with resistance from leadership which is accustomed to its old practices. Adoption of open and responsible financial practices may be hindered by opposition to change, even in cases where the church benefits from them.

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Institutions may struggle to advance and expand if the establishment is resistant to change. There is a three-phase model for managing change that entails refreezing the new practices into the organisational culture after the change has been implemented and the old mindset has been unfrozen (Lewin 1951). Leaders can successfully make changes for long-term sustainability by navigating through these obstacles and resolving the causes of opposition within institutions.

Lack of Will from the Church Leadership:

Closely linked to the above, church leaders in particular, might lack knowledge necessary to set up sound financial management procedures (Smith 2015). Further, some churches feel that they need to do the work of God 'without anything burdening them', and discussing systems might be pulling them backward. Jones (2018) concurs, stressing the significance of striking a balance between practical and spiritual concerns in church leadership.

Volunteer Based Staff

Most churches rely on volunteers who might genuinely want to serve yet do not have the professional expertise to do so. Where the church has no professional people, it is prudent to seek assistance from other bodies that might train the volunteers (Brown 2017). Churches that report to their mother bodies or head offices might have a pool of professionals in their finance committees who can offer training services.

Lack of Financial Literacy:

Those charged with the governance of the church, such as the elected or appointed members of the board might not be financially literate (Smith 2017). This is in cases where a church is led by an elected board, which in most cases, might not even consider the aptitudes of the board members. Moreover, churches that use a congregational governance system equally might have members of the congregation who may possess differing degrees of financial literacy, which can make it difficult for them to comprehend financial reports in their entirety or to contribute meaningfully to conversations concerning the finances of the church (Johnson 2015). If the congregation is unaware of the financial issues being discussed, it may impede efforts to promote transparency.

Privacy Issues:

The need to balance privacy, accountability, and transparency has been a challenge in most churches (Smith 2018). In the quest to promote transparency, churches are supposed to ensure that they disclose minimum financial information in their statements (Jones 2016). Churches are supposed to institute measures and procedures to ensure that the confidentiality of members' contributions is maintained while upholding accountability.

Lack of Standardised Reporting:

Evaluation and assessment of financial statements in churches can be difficult as they might lack standardisation, and they cannot be compared over periods (Smith 2015). Due to varying literacy levels within churches, the provision of standardized reports might be difficult to implement (Jones 2018). This is also challenging when one wants to compare financial reports within a denomination or between different churches.

Internal Controls:

There is a lack of implementation of sound internal controls that can detect financial mismanagement or fraud, especially in smaller churches due to the issue of resources (Smith 2018). When controls are weak, transparency and accountability in the financial affairs of the church can be difficult to enforce.

While the above obstacles are real, churches can systematically introduce professional support and training to ensure that churches can have confidence from their members and also the larger community.

THE CHAIRMAN'S ROLE IN FINANCIAL ACCOUNTABILITY

Effective implementation of a meaningful mission is ensured by effective board governance (Simth 2015). This is one area that usually makes most churches run ineffectively, when they have malfunctioning church boards; boards with people elected into offices but not well capacitated to meaningfully and effectively contribute to the running of a thriving church or parachurch institution. Well-functioning boards have a stake in the church's ability to carry out its mission plan. This is accomplished by holding frequent meetings and aggressively managing essential operational tasks, such as monitoring the church budget (Johnson 2018). The following issues will be discussed under financial accountability:

Assuming Accountability

Overseeing the church's finances is one of the many duties entrusted to the Chairman of a local congregation. With the help of an experienced Finance Committee and the Church Board, this position entails making sure that the church's funds are handled properly and efficiently. In particular when working with an Administrator, the Chairman is ultimately responsible for the church's finances even if they are not required to be financial experts. Since finances are the foundation of the parachurch institutions/ churches, the chairman must provide the congregation's spiritual care priority while simultaneously remaining interested in and knowledgeable about them (Smith 2015).

Be wise in handling church money.

To guarantee accountability and openness in the management of church funds, vigilance and rigorous adherence to regulations are important. To preserve the confidence of the congregation and the outside world, the management of church finances necessitates close supervision and adherence to moral standards. Before spending any money, it is essential to adhere to certain procedures and get full authorization in the context of managing church funds. This procedure guarantees that every financial transaction is carried out openly and responsibly. Pastors and Bishops must act with honesty and responsibility when it comes to money (Water 2000). Water highlights the need to keep complete records, including invoices and receipts, to give an accurate account of every financial transaction.

Additionally, when handling church finances, Douglas et al. (2003) emphasize how crucial it is to maintain ethical conduct. They emphasise the necessity for leaders to handle financial matters with integrity and caution to prevent any possible accusations or suspicions. Church leaders can exhibit their commitment to ethical norms in financial management by securing specific authorization for spending and keeping detailed records.

The importance of responsibility and openness when managing church funds should be stressed (Melbourne (2003). Pastors should not handle the entire church finances on their own since it can lead to possible issues and accusations. As an alternative, the emphasis ought to be on sharing the church's mission, leaving financial management in the hands of people committed to keeping ethical guidelines in place.

It is crucial to handle church finances with the utmost integrity (Powers 2010). Church leaders should avoid managing finances until required to reduce the likelihood of mismanagement or suspicion. Church leaders may maintain the respect and confidence of both their members and the larger community by following these guidelines.

Avoid being out of touch with what is happening.

Delegation is giving someone the power and duty to carry out particular duties (Robbins and Coulter 2019). Leaders, like the Chairman in this case, must recognise that although delegation might help disperse responsibilities and give subordinates more authority, the leader still has the ultimate responsibility.

Delegating (if done well) is a good management practice but dumping the responsibility and accountability on other people (no matter how good they are) can lead to serious consequences (Mintzberg 2009). Consequently, it does not absolve the Chairman in the event of the failure of the church.

One of the challenges of leaders lies in the ability to effectively delegate. If done well, delegation can relieve the chairman of extra work, while giving more attention to more strategic issues. The Chairman, however, needs to strike a balance, in giving out authority while at the same being aware of the actions of the subordinates, as their success and or failure, will be the responsibility of the leader (Drucker 2006).

One should not lose touch with what is happening within the organisation resulting in being out of touch with activities on the ground. Effective delegation is considered key within the management practice, but it should not be mistaken for evading of responsibility (Covey 2007). Covey further argues that genuine empowerment is considered when guidance and support is offered by the leader while still maintaining accountability.

Maintenance of accountability is key in leadership with emphasis on having a balance between retention of responsibility and delegation of tasks (Northouse 2018). While the leader can give responsibilities to members of the leadership team, that does not relinquish the leader’s responsibility (Kouzes and Posner 2017) . Consequently, leaders must not loose track on what is happening on the performance of the team (Kouzes and Posner (2017). Pastors may delegate tasks in the church, but they cannot abdicate their responsibilities, suggesting the importance of being in touch with how the church is operating while empowering others in the process (Powers 2017).

Having the information at hand

The Chairman/ Pastor needs to have an idea of the numbers in the church such as money in the bank and how much is being owed to the creditors. Proverbs 27:23 says, “Be sure you know the condition of your flocks, give careful attention to your herds.” Effective leaders are those who pursue knowledge and insight in all facet of their leadership responsibilities, according to Maxwell (2007). A good leader is a shepherd leader who knows what’s happening in the church and understands how things work. For example, the leader needs to familiarize him/herself with how payments are paid, and how income is being received and seek knowledge and understanding because that’s what good leaders do. While a leader can rely on other people and let others use their gifts, the leader should not ignore this important area. Consequently, the leader needs to recognize his/ her position of leadership and take responsibility for the financial condition of the church. and lead with integrity, and act with responsibility (Smith 2015)

CONCLUSION

Effective church financial accountability of the church depends on how the church oversees its operations. A church's financial accountability procedures and systems have a direct impact on how effective and efficient it is. A church community's capacity to retain integrity and confidence depends on openness and accountability in the use of funds. Financial accountability in the church means maintaining accurate records, regular reporting, and ensuring that all financial transactions are legal and ethical in financial reporting, auditing, expense tracking & donation management, budget & fundraising spend.

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