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DEDICATION

I dedicate this dissertation to my son Luke Karadzandima for giving me the strength to go on. With you by my side anything is possible. God bless you.
I, Promise Makowa, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

Student signature __________  Date__________

Supervisor’s Signature __________  Date:__________
ACKNOWLEDGEMENTS

I would like to thank everyone who contributed to the outcome of this research. Firstly, I would like to thank Mr. Rashid Mudala, my supervisor, for the support and guidance throughout the dissertation. Special mention goes to my friends for helping me brainstorm on the topic for my research. I would like to also express my gratitude to my workmates who took their time and effort to complete the questionnaire. Most importantly, I would like to thank the graduate school of management for equipping me with the knowledge, techniques and skills that enabled me to conduct the research.

Lastly, I would like to thank my family for their love and support.
ABSTRACT

Intra-governmental organisations rely on funding from donor agencies to conduct their operations and managing risk is a very crucial aspect for their reputation. UNICEF Zimbabwe adopted a risk management tool which is the Harmonised Cash Transfer system (HACT) in 2005 after it reviewed its operation. The aim of the study was to evaluate its effectiveness as a risk management tool. Seven critical success factors were identified from several authors and provided a basis for evaluating the effectiveness of the tool. The factors were communication, commitment and support from top management, strategy, culture, information technology, organisational structure and measurement. The research also answered some of the research questions which were to identify the challenges posed by such a risk management approach, establish whether HACT promoted financial management capacity of implementing partners, establish whether HACT created a burdensome reporting process and establish whether HACT was in line with the organisation's corporate strategy and objectives. The quantitative method was used and a questionnaire was sent out to collect data.

The findings reviewed that HACT lacked support from users especially when it came to conducting micro-assessments, training of HACT was not offered to new employees as soon as they joined, there were no clear lines of allocation of duties and responsibility, the organization lacked capacity in conducting micro-assessment and HACT created complex reporting. However HACT was viewed as having improved the financial management capability of implementing partners and its aim of reducing transaction costs and minimizing risk meant that UNICEF Zimbabwe was able to increase the amount reaching the beneficiaries which is part of its corporate strategy and objectives.

The recommendations were for UNICEF Zimbabwe to revise its risk management policy to enable micro-assessments to be conducted for all implementing partners regardless of the amount being transferred, to outsource external audit functions, to centralize the accounting functions to enable timely and accurate reporting, to clearly align responsibilities by having specific job descriptions and offer training to new staff on the risk management tool.
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LIST OF ACRONYMS

CCRORE  Collaborating Centre for Operational Research and Evaluation
CEDAW  Convention of the Elimination of all forms of Discrimination against Women
CRC     Convention on the rights of the child
CSFs    Critical Success Factors
DESA    Department of Economic Social Affairs
ERP     Enterprise Resource Planning
ERM     Enterprise Resource Management
ETF     Education Transition Fund
FACE    Funding Authorisation and Certificate of Expenditure
GPA     Global Political Agreement
HACT    Harmonised Cash Transfer Approach
HTF     Health Transition fund
HSCT    Harmonised Social Cash Transfer
IT      Information Technology
IRM     Institute of Risk management
OIAI    Office of Internal Audit and Investigations
RWP     RollingWork Plan
PESTL   Political, Economic, Social, Technological and Legal
SPR     Specific Programme Reports
SWOT    Strength, Weaknesses, Opportunities and Threats
UN      United Nations
UNCT    United Nations Country Team
UNFPA   United Nations Population Funds
UNDG    United Nations Development Group
UNDP    United Nations Development Programme
UNDOCO  United Nations Development Operations Coordination Office
UNICEF  United Nations Children’s Fund
WASH    Water and Sanitation and Hygiene
WFP     World Food Programme
CHAPTER ONE - INTRODUCTION

1.1 Introduction to the study

Risk management is a topical issue in academia and several studies have looked at the issue from a functional perspective. This is part of the general discussion on the positive aspects that risk management and risk mitigation approaches contribute to a better cash flow and profitability of business entities. Business principles are embedded in the core functions of several entities even those that are in non-profit sectors such as intra-governmental organisations. Risk management is not just something for corporations or public organisations but for any activity whether short or long term developmental programmes. The benefits and opportunities should be viewed not just in the context of the activity itself but in relation to the many and varied stakeholders who can be affected (Institute of risk management (IRM), 2002). This thesis looks at the risk management processes that are in place when it comes to cash transfers and disbursements to developmental organisation.

The case study looks at one agency which is mandated with the responsibility to promote children’s right, the United Nations Children’s Fund (UNICEF) Zimbabwe. UNICEF Zimbabwe implemented a risk management tool in 2005 as a result of the UN General Assembly Resolution 56/201 on the triennial aimed at improving operations among UN agencies. The aim of this research is to evaluate the effectiveness of such a risk management tool and further unpack what the HACT process is. The premise of research is that the HACT approach does provide a risk management framework but in non-profit organisations the implementation is difficult given that the levels of risk are different from profit making organisations.

1.2 Background

1.2.1 Background of the study

The growth of UNICEF Zimbabwe’s operations has seen it undertaking major projects such as the Education transition fund (ETF), Health transition fund (HTF) and the Harmonised social cash transfer (HSCT) worth a total budget of US$400 million for the country cycle which runs from 2011-2015. As a result of the
cumbersome money transaction between the various UN agencies and their respective partners which in some cases resulted in high transaction burden on partners, the UN then decided to change the way it conducted business in both programs and operations.

There is greater risk in handling such large volumes of cash hence the introduction of the Harmonised cash transfer approach. Unlike the previous trend in which UNICEF Zimbabwe relied on a system of controls for managing cash transfers, the new system relies on what is called a risk management approach which recognizes that there is a risk involved with cash transfers. With this approach, agencies will adjust their cash transfer method and assurance activities according to the level of risk. There are four modalities in which cash can be transferred to partners which are the direct cash transfer, direct payments to vendors, reimbursements and direct agency implementation. If the implementing partner is classified as high risk, direct payments to vendors will be made.

The new approach uses macro assessment (which is a desk review of the existing assessments of the national public finance management system that takes place once per programming cycle) and micro assessment (which looks at the soundness of the implementing partner's financial management system that is also being carried out once per programming cycle) to determine risk, as well as assurance activities such as audits and spot checks. It also utilizes a harmonized format for implementing partners to request funds and report on how they have been used. Donors have become strict in terms of assessing how funds have been utilised and require stringent measures to be put in place. It was viewed that introduction of such a system would address such concerns.

1.2.2 Organisational background
UNICEF was established in December 1946 after World War II when the children faced famine and disease. It provided food, clothing and health care to them. In 1953 the United Nations (UN) General Assembly extended UNICEF’s mandate indefinitely. It began a successful global Campaign against yaws, a disfiguring
disease affecting millions of children, and one that can be cured with penicillin. UNICEF has grown over the years and has made several achievements advocating on children’s rights such as providing support to teacher training and classroom equipment in newly independent countries. It won the noble peace prize in 1965 for the promotion of brotherhood among nations. Today UNICEF is situated in 190 countries, which includes Zimbabwe, and is supported entirely by voluntary funds. Governments contribute two thirds of their resources; private groups and some 6 million individual donors contribute the rest through National Committees. Given this, the management of resources is critical so that the organisation is accountable to those that provide funds to support programme implementation.

UNICEF Zimbabwe Country Office was opened in 1985 in Harare, for purposes of getting a better historical account there was no documentation that was available. The Office has grown over the years from a small office into a big one with numerous programmes offering vital services across the country and these include among others Health and Nutrition, Child Protection, Water and Sanitation Hygiene (WASH), Education and Social Policy. A new section was been established that deal with research and evaluation which was launched in 2011 and is called the Collaborating Centre for Operational Research and Evaluation (CCORE). This centre has been set to meet the needs of donors and implementers, including government of Zimbabwe, with the aim of ensuring better programming, policy-making, data collection and analysis capacity. UNICEF Zimbabwe’s mandate entails (www.unicef.org):

1) It is mandated by the United Nations General Assembly to advocate for the protection of children’s rights, to help meet their basic needs and to expand their opportunities to reach their full potential.

2) It is guided by the Convention on the Rights of the Child and strives to establish children’s rights as enduring ethical principles and international standards of behavior towards children.

3) It insists that the survival, protection and development of children are universal development imperatives that are integral to human progress.
4) Mobilize political will and material resources to help countries, particularly developing countries, ensure a “first call for children” and to build their capacity to form appropriate policies and deliver services for children and their families.

5) Ensure special protection for the most disadvantaged children - victims of war, disasters, extreme poverty, all forms of violence and exploitation and those with disabilities.

6) Respond in emergencies to protect the rights of children. In coordination with United Nations partners and humanitarian agencies, UNICEF makes its unique facilities for rapid response available to its partners to relieve the suffering of children and those who provide their care.

7) It is non-partisan and its cooperation is free of discrimination. In everything it does, the most disadvantaged children and the countries in greatest need have priority.

8) It aims, through its country programmes, to promote the equal rights of women and girls and to support their full participation in the political, social, and economic development of their communities.

9) It works with all its partners towards the attainment of the sustainable human development goals adopted by the world community and the realization of the vision of peace and social progress enshrined in the Charter of the United Nations.

1.2.2.1 Vision
UNICEF Zimbabwe’s vision is to ensure that every child in Zimbabwe is afforded the right and opportunities to grow to adulthood in dignity, security and self-fulfilment in a safe, protective and enabling environment.

1.2.2.2 Mission statement
UNICEF Zimbabwe staff commit themselves to work closely in partnership with the government of Zimbabwe, communities, children, young people, the entire United Nations system, Civil Society, Non-governmental organisations and the private sector, to make sure that every child in Zimbabwe is born in a healthy, caring and
nurturing environment, which will provide access to quality basic education and which will empower young people to fully develop their societies and participate and contribute to their societies.

In doing so it is guided by the principles of the Convention on the rights of the child (CRC), the Convention on the Elimination of all forms of Discrimination against Women (CEDAW), The United Nations Charter on the Universal Declaration of Human Rights, progressive National Policies for Children as well as UNICEF’s Global Mission Statement and Guiding principles. It works together as a team and adhere to the principles of transparency, accountability and efficiency.

1.2.2.3 Micro-Environmental Analysis

For purposes of understanding the Zimbabwean context, the researcher applied the micro-environmental analysis to establish the strengths, weakness, opportunities and threats for UNICEF Zimbabwe.

Strengths

The coverage of UNICEF Zimbabwe’s programmes is national and has earned a good reputation due to its transparency and credibility with the Zimbabwean Government, donors and beneficiary stakeholders. It has managed to employ highly qualified staff because of its competitive remuneration hence it can come up with risk management strategies that enables it to meet its objectives. Due to its presence in several countries worldwide it benefits from the pool of knowledge and transfer of skills. It places emphasis on accountability and have strict policies and procedures that it adheres to. Budgets are regularly monitored and are prepared with a great deal of expertise. It has maintained long standing partnerships with International Non-governmental Organisations due to its support and capacity building which has enabled it to embark on the HACT approach.

Weaknesses

Apart from the advantages that are highlighted above, UNICEF Zimbabwe faces some shortcomings in terms of declining funding that is associated with the world
economic recession that has resulted in donors being stringent on reporting requirements. There is relatively high staff turnover due to changes in programme structure caused by decline in funding hence some policies and procedures fall away as new people come in and they are not aware of them and lack the proper training, for example implementation of risk management strategies are not consistently applied. Financial roles are not centralized in finance as programme people are able to initiate accounting entries which poses risk in the internal control system.

**Opportunities**
The regional office is keen to support mutual learning and creates opportunities for expansion; hence the introduction of a vibrant risk management tool minimizes risk and builds donor confidence such that new programmes can be funded.

**Threats**
The fragile political situation, staff turnover at the government level, and possible changes in government program focus are threats to sustainable partnerships which can lead to inconsistent or non-application of risk management policies. The financial crisis also reduced the level of funding which can cause restructuring of programmes.
Table 1: Summary of UNICEF Zimbabwe's SWOT analysis

<table>
<thead>
<tr>
<th>Swot analysis UNICEF Zimbabwe</th>
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<tbody>
<tr>
<td>Strengths</td>
<td>Weaknesses</td>
</tr>
<tr>
<td>• Strong in-country presence with respect from partners</td>
<td>• Stringent reporting requirements</td>
</tr>
<tr>
<td>• Highly qualified and competent staff</td>
<td>• High staff turnover</td>
</tr>
<tr>
<td>• Strong intellectual and practical base enabling transfer of skills effectively.</td>
<td>• Accounting functions not centralised in finance hence high risk</td>
</tr>
<tr>
<td>• Increased focus on policies, institutions and budgets</td>
<td>• Inconsistent application of risk management policies</td>
</tr>
<tr>
<td>• Long standing partnership with Government and International donor agencies which promotes continued implementation of risk management strategies.</td>
<td></td>
</tr>
<tr>
<td>Opportunities</td>
<td>Threats</td>
</tr>
<tr>
<td>• Expansion due to increased funding brought by donor confidence</td>
<td>• Financial crisis</td>
</tr>
<tr>
<td></td>
<td>• Unstable political environment</td>
</tr>
</tbody>
</table>

1.2.2.4 Macro-Environmental Analysis
The Macro-environmental analysis looks at factors that affect UNICEF on a global scale such as Political, Economic, Social, Technological and Legal (PESTL).

Political Environment
Zimbabwe entered in the Global political agreement (GPA) in 2008 after the economy had been affected by hyperinflation. This brought stability but the effects of the recession continue to be felt. The international community is not very supportive of the inclusive government and are reluctant to provide funding to help revive the economy. UNICEF is acting as an agent to channel funds to the government as donors do not want to channel their funds straight to the government as they fear that the funds will be misappropriated. This has influenced
it to come up with a risk management tool that would minimise the risk of holding such large volumes of funds.

**Economic Environment**
Zimbabwe embarked on a multicurrency regime due to the depreciation of the local currency which brought stability in prices. Fluctuations in currency markets caused a revaluation of funds held leading to resource shortfalls or surplus. This affected UNICEF Zimbabwe's ability to meet funding and expenditure targets. UNICEF Zimbabwe has to accept the risks associated with foreign exchange and come up with an effective risk management tool. Operating in environments with foreign exchange controls imposes additional risks, which can involve an invisible but important transfer of resources to the host government treasury that may spend those resources on things inimical to the values of UNICEF Zimbabwe. Fluctuations in exchange control should be monitored to assess their possible impact on local programme costs, and consider making changes to programmes to avoid disruption due to revaluations.

The political and economic crisis of the past decade has resulted in a massive brain drain of skilled workers hence implementation of policies and procedures have not been consistent. Recruitment agencies have proactively sought to take advantage of Zimbabwe’s high level of qualified staff, and facilitated employment opportunities in South Africa, the UK, the US and Australia.

**Social Environment**
Ethical breaches and the failure to address ethical breaches when they occur may affect staff moral and the overall credibility of UNICEF Zimbabwe. UNICEF Zimbabwe has a full set of policies regarding ethical conduct, fraud, harassment and abuse of authority, whistle blowing, and retaliation. The number of reported complaints has been increasing since the promulgation of these policies, and all cases are promptly addressed. UNICEF Zimbabwe applies zero-tolerance to ethical breaches. All staff members play a part in upholding UNICEF Zimbabwe’s value and ethics, and managers are expected to provide an environment where ethical issues and misconduct of any form can be discussed and addressed.
Technological Environment
As of 2008-2010, UNICEF Zimbabwe moved from the SAP and ProMS based ERP to a single-system ERP. This provided an opportunity for modernizing the UNICEF infrastructure to respond to the need for increased automation, security, reliability, and flexibility to accommodate the varied nature of UNICEF operations. This also enabled UNICEF to fully implement the HACT programme as there was a mechanism for monitoring internal controls.

Legal Environment
UNICEF has to abide by the legal requirements of the country when it comes to risk management for example statutory audits, tax laws etc.

1.3 Problem statement
UNICEF Zimbabwe adopted a risk management process, HACT approach, as donors are setting stringent financial reporting requirements such as value for money and the researcher wants to establish whether it is an effective risk management tool.

1.4 Research objectives
The purpose of the study is to:
1. Establish whether the implementation of the Harmonised cash transfer approach (HACT) promote risk management.
2. Identify the challenges posed by such a risk management approach.
3. Establish whether HACT approach promotes financial management capacity of implementing partners.
4. Establish whether HACT does not create a burdensome reporting process.
5. Establish the alignment of the HACT risk management tool to the organisations corporate strategy and objectives.

1.5 Research questions
1. Has the implementation of HACT addressed risk management?
2. What are the challenges posed by HACT?
3. Has HACT helped in building financial management capacity of implementing partners?
4. Does HACT create a burdensome reporting process?
5. Is HACT aligned to the organisations corporate strategy and objectives?

1.6 Hypotheses
The harmonised cash transfer approach (HACT) is an effective risk management tool.

1.7 Justification of the research
The study is necessary or important in that:

(a) It identifies internal control and weaknesses that the organisation is facing which can be put across to management for them to find ways to improve the HACT approach.

(b) It will provide a basis for management to assess whether the implementation of such a system is in line with the vision and mission of the organisation.

(c) The study would also bring awareness within the organisation of the risk management tool that is currently in place and encourage its full implementation.

(d) It can open up new areas of study such as the basis of measuring how transaction costs have been reduced by employing such a tool.

1.8 Scope of the study
The study will cover UNICEF Harare country office and it's implementing partners. The research will place emphasis on the HACT procedures and will cover all the different sections within UNICEF which are the operations, administration, child protection, basic education and gender, water, sanitation and hygiene, centre for collaborative research and evaluation and the social policy section.
1.9 Limitations of study

- Lack of relevant literature from publications, journals and the internet.
- Confidentiality and resistance from employees to divulge information.
- Time constraints

1.10 Dissertation Outline

The thesis will be made up of five chapters and the following chapters will be examined:

Chapter 1- Introduction: This gives a background of what is being researched and the objectives of carrying out the research.

Chapter 2- Conceptual Framework and Literature review: It exams what literature had to say about risk management and the harmonised cash transfer approach. It reviews what an effective risk management process entails and findings from other researches.

Chapter 3- Research Methodology: This chapter looks at procedures carried out in conducting the research such as sampling techniques and statistical analysis methods in collecting and analysing data.

Chapter 4- Research Findings – discussion of results and presents information gathered from field research. Results will be compared with the literature review.

Chapter 5- Conclusions and recommendations: gives conclusions based on the findings and outlines recommendations and areas that need to be further investigated.

1.11 Summary

The chapter formed the framework of the study by mainly giving an insight on the background and statement of the problem with regards to the study undertaken. The chapter went on to highlight the objectives, research questions, significance, assumptions, delimitations and limitations of the study. The next chapter will critically review the relevant literature for the study.
CHAPTER TWO- LITERATURE REVIEW

2.1 Introduction

This chapter is a critical review of theories and articles relevant to the thesis topic of “An evaluation of the Harmonised cash transfer approach as a risk management tool”. It starts by comparing the HACT procedure to the old procedure followed by reviews of literature on risk, risk management and key success factors of an effective risk management tool. It also reviews cases from other countries on the adoption of HACT. HACT is a new risk management tool and there is limited literature on it. There has not been a research to evaluate the effectiveness of HACT in UNICEF Zimbabwe and this research aims at addressing this gap in literature.

2.2 Meaning of HACT

According to UNDG (2005), UN agencies such as United Nations Development Programme (UNDP), UNICEF, United Nations Population Fund (UNFPA) and World Food Programme implemented a risk management tool to which is known as the Harmonised Cash Transfer approach (HACT) to improve its operations. Its implementation was aimed at significantly reducing transaction costs and minimising the complexity of different UN procedures and rules for implementing partners (United Nations in Bhutan, 2012). This was also supported by the Department of Economic Social Affairs (DESA, 2012), which also stated that HACT has the objective to reduce transaction costs by harmonizing agency-specific business practices and moving from a control-based to a risk-based financial management system.

2.3 Comparison of the HACT procedure and the old procedure

The table below compares the new procedure from the old procedure (United Nations in Bhutan, 2012).

Table 2: Comparison of the HACT procedure and the old procedure
<table>
<thead>
<tr>
<th><strong>HACT Procedures</strong></th>
<th><strong>Old Procedure</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>An assessment is done first before funds are transferred through macro-assessments. This helps establish the nature of the environment of implementing partners.</td>
<td>No assessments are carried out to assess financial management capabilities.</td>
</tr>
<tr>
<td>Micro-assessments are done to assess the financial management systems.</td>
<td>Assessments were not done formally to assess financial management systems.</td>
</tr>
<tr>
<td>Macro- and micro assessments help the UN agencies to adjust their assurance and capacity building activities.</td>
<td>All partners and situation are treated the same.</td>
</tr>
<tr>
<td>Implementing partners provide a certificate of expenditure (FACE form) which is subject to audit.</td>
<td>For UNICEF: Implementing partners submit receipts for their expenditures.</td>
</tr>
<tr>
<td>There is continuous monitoring through filed visits, internal and external audits when conducting micro-assessments and spot checks.</td>
<td>For UNDP: the specifically created project account is audited annually.</td>
</tr>
<tr>
<td>The emphasis is on implementation of agreed activities and results.</td>
<td>The emphasis is on providing accounting reports.</td>
</tr>
<tr>
<td>Possibility of re-programming unutilized funds, for other activities agreed in the RWP.</td>
<td>Possibility of reprogramming exists, but must be dealt with on a case-to-case basis.</td>
</tr>
<tr>
<td>Monitoring reports (FACE form and SPR) to be received quarterly, summing up all received and outstanding installments.</td>
<td>Piecemeal reporting on use of funds.</td>
</tr>
<tr>
<td>No receipts required except for FACE form- implementing partners keep their supporting documentation and the confidentiality of their accounts is maintained, The system requires the opening of separate project accounts.</td>
<td>Supporting documents such as receipts and invoices have to be provided to Unicef.</td>
</tr>
</tbody>
</table>

**Source:** (United Nations in Bhutan, 2012)

The literature above just compares the HACT procedure to the old procedure but it does not show whether the new procedure is effectively implemented. A basis for
measuring performance was not established hence the need to review literature on how to measure effectiveness.

2.4 The adoption of HACT

According to UNDP Office of audit investigations and UNFPA Division of oversight service (2012), six years after the 2005 roll out of the HACT Framework, only two, Bhutan and Tanzania, of the more than 150 countries tracked by the United Nations Development Operations Coordination Office (UNDOCO), are commonly applying HACT across UNDP, UNFPA and UNICEF. Three countries where UNICEF is operating have been evaluated below to shown how effective HACT has been implemented.

UNICEF Ethiopia

According to The Office of Internal Audit and Investigations (OIAI) (2013) an internal audit was carried out covering the period January 2011 to October 2012 and it reviewed that the office’s total cash transfers to implementing partners amounted to US$ 69 million in 2011, and US$ 45 million during 2012 (as of 22 November). However, no macro-assessment had yet been conducted for the new country programme cycle. OIAI (2013) stated the following,”no micro-assessments of implementing partners had yet been conducted for the 2012-2015 country programme cycle. The last assessment of government implementing partners had been in May 2007, while NGOs had been micro-assessed during the previous country programme cycle (2007-2011). Any new NGOs that the office had worked with during 2012 had been assessed using a checklist intended for implementing partners receiving less than US$100,000, even though the value of the agreements were over US$100,000 – meaning that a more detailed checklist should have been used. The office did not systematically use the results of the micro-assessments done during 2007-2011 to guide decisions on which method to use for cash transfers, or to choose the most appropriate assurance activities. The implementing partners were provided with direct cash transfers regardless of the risk rating.

The office had not developed an assurance plan for either the 2007-2011 and 2012–2015 country programme cycles specifying the type and frequency of assurance activities for each implementing partner. Neither had any scheduled
audits or special audits been conducted; these should be done on the basis of the level of funds transferred or the risk ratings noted in the micro-assessments. The office needed to accord sufficient priority to, and clearly assign responsibilities for, implementation of HACT activities so as to obtain reasonable assurance on the use and reporting of cash transfers by implementing partners”.

As highlighted in the report HACT had not been fully implemented and had not met its objective of reducing risk as no assurance activities or micro assessments had been fully implemented.

UNICEF Kenya
According to The Office of Internal Audit and Investigations (OIAI) (2013) , an internal audit was carried out covering the period January 2011 to June 2012 and it reviewed that the Kenyan office had been implementing HACT since 2009. The country office disbursed US$ 19.9million in 2011 to 41 implementing partners, representing approximately 30 percent of total expenditures. A total of 22 of these partnerships (US$ 9.6m) were to support the Horn of Africa emergency response in the period June-December 2011. The office had made efforts to engage other UN agencies through the UNCT, to undertake inter-agency HACT activities; however, no concrete actions had as yet emerged from other agencies. The office had also shared micro-assessments of implementing partners with which other agencies had partnerships. OIAI (2013) stated the following, “although the micro-assessments were used to determine the number of spot checks on each NGO implementing partner, they were not used to determine the type of cash transfer used, since direct cash transfers (DCTs) are used for all partners. Seven of 18 NGO implementing partners interviewed by the audit team said that the micro assessments had not been very well conducted or explained to them. Also, the assessments did not always include assessments of partners’ programmatic capacities.

NGOs interviewed by the audit reported that there was no feedback or further communication from UNICEF after the spot checks or the basic training provided for HACT. Under HACT, partners expected to receive project funds of more than US$ 500,000 in a given year should be audited during the programme cycle. In 2011 there were 13 such partners and they received a total of US$ 10.6 million. Five of
these were rated as significant risk. However, the office did not carry out any audits in 2011, due to the focus on the Horn of Africa emergency. There was also a need to strengthen understanding of the HACT concept. Other constraints included a need for clearly assigned responsibilities for quality-assurance review, realistic planning of spot checks, adequate oversight of spot-check reports, and complete guidance to staff on reporting results of spot checks’.’

Based on the report, there are some constraints on HACT and there are some inconsistencies that need to be addressed for it to be effectively implemented in the Kenyan country office.

**UNICEF Nigeria**

According to The Office of Internal Audit and Investigations (OIAI) (2013) an internal audit was carried out covering the period January 2011 to October 2012 and it reviewed the following, “HACT implementation in Nigeria was part of the operational mechanisms in implementing the approved UNDAF for 2009-2013. Macro-assessment was completed in December 2008 covering an assessment of the Public Financial Management (PFM) system of the government of Nigeria. Several recommendations were included in the report in order to manage the risks identified but these risks remained at the time of audit in October 2012. In order not to delay HACT implementation, the UNCT agreed to implement HACT even for those partners that had not been micro-assessed. In accordance with the HACT framework, partners that had not been assessed were considered as high risk and the plan was to conduct micro-assessment as soon as possible. Audit noted that of the 24 sample partners selected that received over US$ 100,000 in 2012; micro-assessment was conducted only for 11 partners (46 percent). According to the office, the micro-assessment of implementing partners receiving funding support of over US$100,000 annually from UN Agencies had to be halted because of the security challenges in the country. The office informed that it had instituted measures, such as the employment of accounting firms to expedite the completion of these assessments. Audit noted that the office has not recorded in the VISION vendor master the result of the completed micro-assessments”. 
Based on the report HACT was not consistently applied and risks identified were not being addressed.

2.5 Risk management theories and concepts

2.5.1 Definition of terms

Risk

According to Alberts and Doroffee (2010), risk can be expressed as the possibility of future harm, where harm is taken to mean any undesired event or outcome. SBP (2003, p.1) states that, “the types and degree of risks an organization may be exposed to depend upon a number of factors such as its size, complexity business activities, volume etc. ‘There are two types of risks which are systematic and unsystematic risk (Al-Tamimi and Al-Mazrooei, 2007). According to Al-Tamimi & Al-Mazrooei (2007), systematic risk also known as market risk, refers to a risk inherent to the entire system or entire market, whereas, unsystematic risk is risk involving with individual assets and hence can be prevented through diversification. OECD (2011) classifies risk as contextual, programmatic and institutional risk (see figure 1) (OECD; 2011).

Source: OECD (2011)

Figure 1: Classification of risks
The definitions highlighted above, show that risk revolves around the prospect and magnitude of something occurring and influencing the attainment of objectives and it can be internal or external.

**Risk management**

Several authors defined risk management in many ways. The Institute of Risk Management (2002) states that risk management is the fundamental part of any organisation’s strategic management. It is the process whereby organisations systematically tackle the risks attaching to their activities with the goal of attaining sustained benefit within each activity and across the portfolio of all activities. The Committee of Sponsoring Organizations of the Treadway Commission (Committee of Sponsoring Organizations, 2004, p.2) defines enterprise risk management as a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. Homeland Security (2011) defined risk management as the process for identifying, analyzing and communicating risk and accepting, avoiding, transferring or controlling it to an acceptable level considering associated costs and benefits of any actions taken whilst Anderson and Terp (2006) state that, “risk management can be defined as a process that should seek to eliminate, reduce and control risks, enhance benefits, and avoid detriments from speculative exposures”. According to SBP (2003) risk management involves identifying, measuring, monitoring and controlling risks. It ensures that there is clear understanding of risk management to enable achievement of business strategy goals.

It can be observed from the above definitions that risk management is about:

- Removing, reducing and controlling risks.
- It involves ascertaining, investigating, determining, monitoring and calculating risks.
- Minimise the adverse and evolving opportunities.
- Accomplishment of business strategy and goals.
2.5.2 Risk management process

Triantis (2000) states that an organisation needs to understand the sources of risk it is exposed to in order to manage well. HACT follows the risk management process. Risk management passes through the following steps which are identifying risk, analysing and evaluating risk, risk assessment and finally the risk monitoring, which becomes part of the daily business until the process is started again from the beginning (Form, 2005). The following diagram shows the risk management process.

Source: ISO 31000 (2009)

Fig. 2 Risk management process

- **Risk identification**

According to Hermann (2001), the first phase of the risk management process is risk identification. The purpose of this phase is to identify all risks, which would interrupt or damage the business development (Hermann, 2001). Macro and micro assessments that are carried out during HACT implementation help identify risk. The identification is of great importance as only identified risks could be handled successfully in the next steps of risk management (Stroeder, 2008). If risks are
identified correctly then risk management will become effective (Tcankova, 2002). Methods of identifying risks might include risk workshops, stakeholder consultations, benchmarking scenario or what if analysis and research methods (interviews, surveys etc.) among others (Stroeder, 2008).

- **Risk analysis and evaluation**
  The next procedure in the risk management process entails analysis and evaluation of identified risks. When macro and micro assessments are carried out when adopting HACT, the implementing partners risk rating is established as high, significant, moderate or low risk (UNDG, 2005). However, in most cases, the separation of the first and second phase of the risk management process is not clear as they are directly based upon each other. Furthermore defining a process or position as a risk can already be viewed as an analysis or evaluation. The aim of the risk evaluation would be to determine the degree of the identified risks and quantify their financial impact on the organisation (Herman, 2001).

- **Risk assessment**
  The risk assessment phase involves choosing measures to handle risks depending on the willingness of an organisation (Wesel, 2010) and (Schenkel, 2003). UNICEF Zimbabwe then decides on the modalities in which it will transfer cash to minimise risk. According to UNDG (2005) if an implementing partner is high risk then cash should not be transferred directly but direct payment to vendors should be made. According to Vrijling, Hengel and Houben (1995), risk evaluation is crucial for decision making as it provides information on how to treat risk and determine its acceptable level.

- **Risk monitoring**
  Herman (2001) suggested that risk monitoring is all about checking whether the risk identification, evaluation and assessment have been conducted successfully. The last step of the HACT procedure is to conduct audits, spot checks and onsite visits to constantly monitor activities by implementing partners (UNDG, 2005). Hensel (2008) stressed that this phase is crucial for taking appropriate measures in a case where deviations between the actual and planned risk situation are identified.
risk management process to be effective Collier and Agyei-Ampomah (2006) suggested that it should encompass a framework of:

a) Risk management structure (to facilitate the identification and communication of risk)

b) Resources (to support effective risk management)

c) Risk culture (to strengthen decision making processes by management)

d) Tools and techniques (to enable the efficient and consistent management of risks across the organisation).

Ntlhane (2005) stated that a structured risk management approach would enable an organisation to pursue its strategies assertively and economically as management could predict the risk exposure of each activity engaged in, thus ultimately achieving more satisfactory results at reduced risk.

2.5.3 Risk Management Theories

Several risk management theories have been put across by different authors which are the financial economics approach; agency theory, new institutional economics and stakeholder theory. There are conditions for disregarding financial structure over corporate value (Miller and Modigliani, 1958). According to Miller and Modigliani, (1958), the theory was later extended to the field of risk management. This approach stipulates also that hedging prevents the fluctuations of cash flow and therefore lower instability of firm value (Miller and Modigliani, 1963). According to Smith (1985), agency theory encompasses the analysis of the firm to include separation of ownership and control, and managerial motivation. Agency issues have been shown to influence managerial attitudes toward risk taking and hedging (Smith, 1985). The theory suggests that there is conflict of interest between shareholders, management and debt holders due to asymmetries in earning distribution, which can cause the firm to venture in risky projects or not engaging in net positive value projects (Mayers and Smith, 1987).
The new constitutional institute expects that risk management practices may be determined by organisations or accepted practice within a market or industry (Williamson, 1987). The theory links security with specific assets purchase (Williamson, 1987), which suggests that risk management can be vital in contracts which bind two sides without allowing diversification, such as large financing contract or close cooperation within a supply chain. The stakeholder theory has since evolved into a theory of the firm with high explanatory potential. It focuses entirely on equilibrium of stakeholder interests as the main determinant of corporate policy (Freeman, 1984).

The theory that is behind the HACT approach is the agency theory. As shareholders have a willingness to bear risk but do not necessarily possess the interest and time to actively manage the company (Brealey et al. 2008), a contractual relationship is created wherein an agent (manager) will manage the risk and control the company on behalf of the principal (shareholder), who is the residual claimant, risk bearer and owner of the company (Jensen et al. 1985). As such, the modern corporation is reduced to a nexus of contracts between principals and agents and the separation of ownership and control is created (Jensen et al. 1976). The donors are the shareholders and UNICEF acts as the agent.

Given the separation of ownership and control, and the diverging risk profiles of the participating parties (Eisenhardt 1989, Jensen 1989), it cannot be expected that risk-averse managers (agents) will act in the interest of shareholders (principals) as it may not be in the manager's self-interest to pursue shareholder wealth maximization (Bonazzi et. al. 2007, Lan et al. 2010). This inherently leads to an encouragement of moral hazard (Perrow 1986), where the principal will not know whether the agent has acted in accordance to the principal's interest (Shapiro 2005, Hendrikse 2003). The proposed mechanisms for curbing moral hazard are generally monitoring and incentive contracts (Jensen 1993, Daily et al. 2003).

The HACT approach emphasises on the implementation of assurance activities, macro-assessments and spot checks as a monitoring mechanism. This ensures that UNICEF Zimbabwe acts in the best interest of donors. The Board of Directors are entrusted with the duty of allocation of resources and ensuring that the overall objectives are met. Whilst achieving zero agency costs is practically impossible, as
the marginal costs of doing so will eventually be higher than the accompanying benefits of perfect alignment (Jensen et al. 1976), monitoring and incentives intends to minimize them (Shapiro, 2005). UNICEF Zimbabwe management are paid an attractive remuneration to ensure that they act in the interests of Donors.

### 2.6 Critical Success Factors for effective risk management

#### 2.6.1 Critical Success Factors overview

Rockart (1982) defines CSFs as: ‘those few key areas of activity in which favorable results are absolutely necessary for a manager to reach his/her goals’. Leidecker and Bruno (1984) define CSFs as, “a few things that must go right for the business to flourish”. Wood (2005) states the enhancement of the transparent practical linkage of the risk mitigation plan and risk register to the corporate plan objectives as a key measure of success. Freund (1988) stated that the CSFs concept is crucial for overall organizational missions, goals and strategies. According to Yaraghi and Langhe (2011)19 potential critical success factors were reviewed from several authors and a survey was carried out of 250 Swedish companies who had been in operation for more than five years and had an active risk management system to determine the most important factors. The 19 potential critical factors are shown in the table below.

#### Table 3: Definition of potential success criteria

<table>
<thead>
<tr>
<th>Variable</th>
<th>Variable name</th>
<th>Definition and properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSF1</td>
<td>Business type</td>
<td>Type of the business that the organization is involved in, including its final product or service, and the relative level of technology that is implemented in the organization.</td>
</tr>
<tr>
<td>CSF2</td>
<td>Communication</td>
<td>Communication system which is used in the organization and its hardware infrastructure and software capabilities design. It also includes data analysis systems and non-official and emotional communications within the organization.</td>
</tr>
<tr>
<td>CSF3</td>
<td>Consultants</td>
<td>Utilization of management consultancy services in organization.</td>
</tr>
<tr>
<td>CSF4</td>
<td>Documentation</td>
<td>Documentation system which is used in the organization and its hardware infrastructure and software capabilities design. It also includes the data accuracy level in the organization.</td>
</tr>
<tr>
<td>CSF5</td>
<td>Education</td>
<td>Education competence, awareness, training, and education of the organization’s personnel, including risk management staff about RMS, its processes, tools, and applications.</td>
</tr>
<tr>
<td>CSF6</td>
<td>Environment</td>
<td>External environment in which the organization is performing. It encompasses the effects of market, suppliers, competitors, socio-political systems, and also</td>
</tr>
</tbody>
</table>
The organization’s partnership and joint venture strategies.

<table>
<thead>
<tr>
<th>CSF</th>
<th>Management Skills</th>
<th>General management skills including problem-solving, negotiating, communication, and influencing the organization.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSF8</td>
<td>Leadership</td>
<td>Leadership characteristics of risk and top managers. This factor is excluded from general management skills due to its importance and attention that it has gained from risk management researchers and practitioners.</td>
</tr>
<tr>
<td>CSF9</td>
<td>Organisational culture</td>
<td>Staff morale and commitment. Adaptation to change and respect to external management consultants.</td>
</tr>
<tr>
<td>CSF10</td>
<td>Organisational structure</td>
<td>Organization’s design, allocation of authorities, and responsibilities.</td>
</tr>
<tr>
<td>CSF11</td>
<td>Performance reporting</td>
<td>Short- and long-term performance measurement, monitoring, and feedback.</td>
</tr>
<tr>
<td>CSF12</td>
<td>Process design</td>
<td>Detailed and clear process design and availability of documented process ownerships for the organization’s internal processes.</td>
</tr>
<tr>
<td>CSF13</td>
<td>Project management skills</td>
<td>Maturity of the organization’s project management capabilities.</td>
</tr>
<tr>
<td>CSF14</td>
<td>Resources</td>
<td>Availability of all kinds of resources and infrastructure including human resources, organizational validity, and technical validity. Cost and time are also included in this category.</td>
</tr>
<tr>
<td>CSF15</td>
<td>Responsibility</td>
<td>Job design and descriptions and also level of employee involvement in RMS.</td>
</tr>
<tr>
<td>CSF16</td>
<td>Reward and recognition system</td>
<td>Availability of reward and recognition system schemes in organizations.</td>
</tr>
<tr>
<td>CSF17</td>
<td>Strategy</td>
<td>Well-defined and clearly understood vision, mission, and long-term strategy toward risk management in the organization.</td>
</tr>
<tr>
<td>CSF18</td>
<td>Team-building</td>
<td>Existence of developed teams and teamwork spirit within the organization.</td>
</tr>
<tr>
<td>CSF19</td>
<td>Top management</td>
<td>Level of top management support of RMS practices.</td>
</tr>
</tbody>
</table>

Source: (Yaraghi & Langhe, 2011)

The findings reviewed that the crucial factors for to enable risk management to be effective were strategy, organizational structure, communication, environment, top management support and organizational culture (Yaraghi & Langhe, 2011). Lenckus (2005) mentions securing management support, committing ample time to the effort, planning wisely, proving the plan’s worth early, and pacing risk managers are among the CSFs for enterprise risk management (ERM). Galorath (2006) suggests
that risk management is dependent on five factors, which are top-level management support, culture imperative, the participation of everyone involved, an integral part of the entire program management structure and processes and a pattern of measurement.

McDonald (2004) carried out a survey and identified some of the critical success factors of ERMs, clearly defined risk appetite articulated through limits and monitoring procedures, involvement of managerial board, centralized ERM organizations, proper communication and instilling risk into the culture of business. NSW Department of State and Regional Development (2005) states that an effective risk management should include formulating clear goals and procedures of risk management, distributing adequate resources, setting systems for monitoring and reviewing risks, training staff appropriately and encouraging appropriate commitment to risk management.Hasanali (2002) identified five categories of critical success factors which are leadership, information technology, measurement, structure and responsibilities and culture.

The table below summarises what the different authors regard as critical success factors.

**Table 4: Summary of critical success factors**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategy</td>
<td></td>
<td></td>
<td></td>
<td>setting clear objectives and guidelines</td>
<td></td>
<td>Organisational strategy</td>
</tr>
<tr>
<td>2. Culture</td>
<td>culture</td>
<td></td>
<td></td>
<td>Business culture</td>
<td></td>
<td>Organisational culture</td>
</tr>
<tr>
<td>3. Commitment &amp; support from top</td>
<td>Leadership</td>
<td>Involve ment of</td>
<td></td>
<td>Appropriate commitment</td>
<td>Top-level management</td>
<td>Top management</td>
</tr>
<tr>
<td>Management</td>
<td>Management board.</td>
<td>Management support, committing ample time to the effort</td>
<td>Management support</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>------------</td>
<td>-------------------</td>
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<td>--------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Training</td>
<td>Training staff</td>
<td>Training staff</td>
<td>Training staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Communication</td>
<td>Proper communication</td>
<td>Participation of everyone involved</td>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Measurement</td>
<td>Measurement clearly defined risk appetite articulated through limits and monitoring procedures</td>
<td>Implementing systems for monitoring and reviewing risks</td>
<td>Pattern of measurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Information technology</td>
<td>Information technology infrastructure</td>
<td>Information technology infrastructure</td>
<td>Information technology infrastructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Organisational structure</td>
<td>Structure centralised ERM organisations</td>
<td>Integral part of the entire program management structure and processes</td>
<td>Organizational structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Others</td>
<td>Allocating adequate resources</td>
<td>Allocating adequate resources</td>
<td>Environment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above gives eight factors which propose a model for effective risk management which will be examined in this research. Detailed explanations of each factor are given below.
a) Culture

According to Holmes (2004, p.151), culture refers to the attitude of staff to accept the new changes made by an organisation where employees, “shared assumption, behaviours and habits of those employed by the organisation”. Risk culture is the way management and every staff in the organisation feel about risks by recognising that feelings, attitudes, and perceptions toward risks which will influence how it is managed in order to pursue their business objectives (Rossiter, 2001). Culture influences people on how they perceive risks, attitudes and the way they handle the risks (Theil & Ferguson, 2003), and shapes and coordinates employees behavior in order to achieve the objectives (Berenbeim, 2004). Grabowski and Roberts (1999) states that, “risk management requires the combination of several cultures that make the system into a cohesive whole in which the deep assumptions and espoused values of each of the member organizations can be built around the need for melding a culture of reliability”. Risk management culture defines risks that everyone in the organization is accountable for and a positive risk culture promotes individual responsibility (Clarke, 2006). Lenckus (2004) reported that most of the respondents (83 percent) viewed organisational culture as a success factor in risk management.

b) Organizational Structure

Alonso et al. (2008, pp. 145-146) argues that the organization can be centrally managed or that the organization can decentralize the decision-making. In this process the organization has to consider the trade-off between more control from central management or the decisions taken closer to the actual operations which is possible when implementing a decentralized management (Alonso, et al., 2008, pp. 145-146). Struzenski (2006, p. 60) argues that transparency and control that follows from a centralized treasury management system contributes to better risk management. Further he also argues that to meet the compliance requirements of today a company must have a centralized cash management structure (Struzenski, 2006, p. 60). Alonso, et al. (2008, pp. 145-146) argues that an organization having several divisions or activities in several locations have to decide how their management structure should look like.
In Andrews et al. (2009, p. 59) it is argued that centralization is associated with the dysfunctions of bureaucracy, like red-tape. A centralized organizational structure is characterized by a high degree of hierarchical authority, with most decisions taken centrally, like in a vertical organization. A decentralized organizational structure is on the other hand characterized by a high degree of participation in decision-making and lower hierarchical authority; this is a quite flat organizational structure with higher responsibility on the employees, more resembling the horizontal organizational structure. (Andrews et al., 2009, pp. 58-59; Ostroff and Smith, 1992, pp. 148-152) According to Andrews, et al. (2009, p. 60) people that are for centralization argue that the performance is increased in a centrally controlled organization, due to the fact that the structure contributes to faster and easier decision making and clearer goals. It is also argued that the potential for internal conflicts are decreased due to the clear line of hierarchical authority (Andrews, et al., 2009, p. 60).

c) Commitment and support from top management

Top management clearly has a key role in implementing and running enterprise systems in an organization (Dong 2001; Kakabadse et al. 1993). Various researchers have investigated and reported the influence of top management as a CSF in different management systems (Ahire and O'Shaughnessy 1998; Keller and Huwaishel 1993; Myers, Kakabadse, and Gordon 1995). Moreover, commitment and support from top management plays an important role in influencing the success in almost any proposal within an organization (Hasanali, 2002). According to Galorath (2006), risk management requires the acceptance that risk is a reality and the commitment to identify and manage risk. The emphasis placed on top management support places amongst the Critical Success Factors for managing projects (Zwikael, 2008). According to Henriksen and Uhlenfeldt (2006), top management formulates and decides objectives and strategies for organizational risk management activities, mission and overall goals. Young and Jordan (2008) stated that “the essence of top management support related to effective decision-making to manage risk and to authorize business process change”. According to Ifinedo (2008) top management support determines the level of success for the organizational system.
d) Communication
Grabowski and Roberts (1999) suggested that communication played an important role in risk mitigation by providing opportunities for clarification, reviewing organization’s progress, and for members to discuss how to improve the organization and the effects of using different risk mitigation strategies. Communication ensures that the team members understand and support not only where the team is now but also what they want to be (Clutterbuck and Hirst, 2002). According to Riskcover (2011), communication and consultation provide the following advantages:

- Organisational soundness and a positive culture for risk management implementation
- Confidence and understanding, resulting in improved internal and external relationships
- Awareness of the risk management process
- Combination of multiple perspectives
- Risk management is entrenched as an ongoing part of management and organisational practice

e) Strategy
De Loach (2000) argues that risk management must be integrated with business planning and strategic management so that it becomes inextricably linked to those processes. Mu, Peng, and McLachlan (2009, 170) have investigated the effect of strategy on new product development (NPD) and have concluded that ‘risk management strategies targeted at specific risk factors, that is, technological, organizational, and marketing, contribute both individually and interactively in affecting the performance of NPD’.

In another context, Courson (2008) states that strategy can provide a logical, disciplined framework for addressing risk. Geisel (2008) states that attaining a successful ERM program is dependent on the full support from a company’s senior management and board of directors and adds that the effectiveness of ERM comes from integrating it into the business plan and strategy. Strategy is being considered as one of the most important reasons for a company’s long-range success by many researchers (‘first thought’, 2008; Helms, 1994; Markides, 2004). The role of mid-
level managers, such as risk managers, is inevitable in combining the risk management strategy with the organization’s overall strategy as well as its initiating and implementing (Altinay and Roper 2001). Another strategy for improving risk is to set up training sessions (Symons, 1995).

f) Information Technology (IT)
Xenomorph (2007) argues that “Effective risk management is impossible without effective information technology” and describes the IT architecture necessary for this. According to Rolland (2008) using IT to encourages effective risk management as it protects information by providing security by employee level, limiting a user’s access by time, line of business, business activity and individual risk. IT tools enable companies to learn from past to prevent the same mistake from recurring (Rolland, 2008).

g) Measurement
A key to successful risk management is that proactive actions are owned by individuals and are monitored (Larman, 2004). According to Riskcover (2011), as, monitoring and review is an ongoing part of risk management that is part of every step of the process. Monitoring is not given much emphasis as a result the risk management programs of many agencies become immaterial and fruitless over time. Monitoring and review ensures that the important information generated by the risk management process is captured, used, and sustained (Riskcover, 2011).

Wood (2005) states the enhancement of the transparent practical linkage of the risk mitigation plan and risk register to the corporate plan objectives as a key measure of success. Monitoring and review if implemented correctly can detect both plodding and abrupt change. Continuous monitoring is most likely to detect a dramatic change in a timely fashion, whereas periodic review of a particular aspect of the risk process is more oriented towards detecting trends and incremental change (Wood, 2005).
2.6.2 Formulation of hypotheses

The literature above identifies the critical success factors which help in formulating hypotheses that will be tested in the research to establish whether the HACT approach has been implemented effectively. The following table summarises the hypotheses.

**Table 5: Summary of Hypotheses**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>An organisation’s strategy enhances/improves risk management.</td>
</tr>
<tr>
<td>H2</td>
<td>An organisation’s culture enhances/improves risk management.</td>
</tr>
<tr>
<td>H3</td>
<td>An organisation’s commitment and support from top management enhances/improves risk management</td>
</tr>
<tr>
<td>H4</td>
<td>An organisation’s organisational structure enhances/improves risk management.</td>
</tr>
<tr>
<td>H5</td>
<td>An organisation’s training programme enhances/improves risk management.</td>
</tr>
<tr>
<td>H6</td>
<td>An organisation’s communication enhances/improves risk management.</td>
</tr>
<tr>
<td>H7</td>
<td>An organisation’s Information technology enhances/improves risk management.</td>
</tr>
<tr>
<td>H8</td>
<td>An organisation’s risk measurement enhances/improves risk management.</td>
</tr>
</tbody>
</table>

2.7 Case Studies

The following table illustrates the status of HACT implementation of Delivering as one (DaO) countries compared to the total of 96 implementing countries in terms of the completion of the indicators Government Agreement, Macro Assessment, Micro Assessment, and Assurance and Audit Plan (UNDG, 2011).
Table 6: HACT implementation status- DaO Countries versus all implementing countries

<table>
<thead>
<tr>
<th>DaO Countries</th>
<th>Category</th>
<th>HACT Implementation Status*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>LDC</td>
<td>GNI</td>
</tr>
<tr>
<td>Albania</td>
<td>√</td>
<td>UMIC</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>√</td>
<td>LMIC</td>
</tr>
<tr>
<td>Mozambique</td>
<td>√</td>
<td>LIC</td>
</tr>
<tr>
<td>Pakistan</td>
<td></td>
<td>LMIC</td>
</tr>
<tr>
<td>Uruguay</td>
<td>√</td>
<td>UMIC</td>
</tr>
<tr>
<td>Rwanda</td>
<td>√</td>
<td>LIC</td>
</tr>
<tr>
<td>Tanzania</td>
<td>√</td>
<td>LIC</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>√</td>
<td>LMIC</td>
</tr>
</tbody>
</table>

DaO in %       50    12.5  87.5  100  87.5  75
All countries in % 32    N/A  85.4  89.6  62.5  42.7

*Self reported as per October 2011, Pakistan last reported in 2010.
Source: UNDG Global HACT Assessment. December 2011

According to DESA (2012) the UNDG HACT Advisory Committee conducted an assessment of the HACT approach in December 2011. The assessment included an in-depth analysis of the progress made, a global web-based survey – completed by 332 practitioners in 114 countries – and targeted interviews at headquarter and country level. The overall conclusion of the assessment was that HACT has been in part successful since many countries have not implemented HACT beyond the initial stages of the required capacity assessments. The assessment highlighted that HACT introduced a complexity to the management of cash disbursements and reporting which frequently exceeds the capacity of the UN and implementing partners at the country level. In many countries, HACT is often accompanied by the parallel continuation of financial controls undermining the objectives of the harmonized approach (DESA, 2012).

According to UNDP Office of Audit and Investigations (2011), only 29 countries, or 19 percent of the countries tracked, have assessed themselves as HACT compliant. 53 percent had not completed micro-assessments and 31 per cent of the countries had still not completed the macro assessment of the country’s Public Financial Management system and more than two thirds of the countries had yet to establish joint assurance and audit plans. According to UNDP Office of Audit and
Investigations (2011) the limited implementation of HACT was attributed to lack of resources, lack of capacity to conduct spot checks and micro-assessments, no clear assignment of responsibilities and no coordination in the implementation of the tool.

2.7 Summary
In this chapter, the literature on risk management was critically reviewed. It was noted that effective risk management depended on the following factors: strategy, culture, commitment and support from top management, training, communication, measurement and Information technology. The gap that was identified in the literature is that there was no basis to measure whether transaction costs were reduced by the HACT approach.
CHAPTER 3 - RESEARCH METHODOLOGY

3.1 Introduction
The objective of this chapter is to provide the research methodology used for the gathering and analysis of the data for this study. The research design, research philosophy, research strategy, population and sampling techniques, data collection methods and research procedure will be outlined. Finally the limitations of the study will be discussed.

3.2 Research Design

3.2.1 Research Approach
There are two approaches of business research which are categorized as deductive and inductive. The deductive approach works from the more general to the more specific which is the top-down approach. The theories enable the formulation of a hypothesis. The hypothesis is then tested and the results will enable the acceptance or rejection of it. The outcome will also lead to the confirmation or revision of the theory itself (Bryman and Bell, 2003). The inductive approach is the opposite of the deductive approach; it starts with specific observations to broader generalisations and theories, also referred to as the bottom-up approach. Therefore the implications of the findings are inferred. The deductive approach was used in this research as it was most suitable for this study. The figure below shows the deductive process.

Theory

Hypothesis

Data collection

Findings

Hypotheses confirms or rejects

Revision of theory

Source: Bryman and Bell (2003)
Firstly a review of theory was made in the literature section. The factors that contribute to an effective risk management tool were analysed and critical success factors were identified by several authors through journals and published articles. Data was collected using questionnaires and results were analysed in chapter four. The factors will be evaluated and they will be confirmed or rejected based on the outcome of the implementation of HACT. If the critical success factors are not present and HACT however proves to be achieving its goals the critical success factors will be rejected and if they are present and lead to the effective functioning of the tool then the factors will be confirmed. The last step will be confirming or revising the theory.

3.3 Research Philosophy

Saunders et al (2000) suggest that a research should be developed top down starting with the outside layer of adopting a research philosophy and thereafter peering away each layer until layer of data collection methods. The three research philosophies are defined as positivist (quantitative), interpretive (qualitative) and realist. The positivism approach was adopted as the epistemological position.

3.4 Research Strategy

There are two main research methods which are qualitative and quantitative methods. Qualitative research uses less structured research instruments, more flexible and allows one to probe for more details unlike quantitative. According to Bryman and Bell (2003), interviews are used as a qualitative research tool. Quantitative methods involve the collection of numeric data. A questionnaire is used to collect data. The quantitative method was used together with the deductive approach for collecting data.
3.5 Population and sampling techniques

3.5.1 Target Population

The population of the study will comprise of 160 employees of UNICEF and out of the population only 107 will be chosen to form part of the sample. Drivers, students on attachment and general hands were excluded from the selection as they did not have adequate knowledge on the risk management tool.

3.5.2 Study Sample.

Since it was not feasible to carry out the study on the entire population because of time constraints representative group was chosen. This representative group is known as a study sample, which can be defined as the actual individuals studied. The study sample will enable conclusions to be drawn from the information derived from it which will be generalised to the target population.

3.5.3 Sampling

They are various sampling techniques available. These range from simple random, stratified random, systematic sampling, cluster sampling (probability sampling methods) to the non-probability sampling methods which include convenience sampling, judgment sampling, purpose sampling and quota sampling. However, in this research the purposive or judgment sampling (non-probability) was used. This enabled the researcher to use her judgement to select cases that enables her to answer her research questions and to meet her objectives. Judgement sampling involves the choice of subjects who are most advantageously placed or in the best position to provide the information required. Systematic sampling may leave out key personnel like the HACT officer when they are vital on planning and decision making hence the need to use judgemental sampling.

Judgemental sampling involves selecting respondents by making personal judgements as to whether a particular element should be included or not in a sample. This method allowed the selection of respondents who best suited the research on hand. UNICEF Zimbabwe has over 160 employees and only 107 were selected to form part of the sample.
3.6 Data collection methods

Data collection for this research study utilised a questionnaire. Research by Klassen and Jacobs (2001), and Boyer et al., (2002) suggests that surveys administered via internet may result in fewer responses than for printed surveys. They recommended that the differences could be reduced by accurately identifying the audience. Boyer et al. (2002) reported consistent reliability between printed and electronic surveys and suggested that the two methods can be perceived as nearly interchangeable. Questionnaires can gather information that can be assessed for results and comparison easily and they have been used by other researchers like R.J Oosterbaan (1998) of India, Herdt(2006) and Ruotsi (2004).

The questionnaire was used to gather data because:

a) A questionnaire is in a better position to provide empirical information as it could be presented quantitatively and could have deeper detail as explanations could be given.

b) Ample time for responding was granted as compared to other methods like telephone interviews where the interviewee could not be prepared.

c) Questionnaires are easy to administer to a large number of respondents simultaneously. As they are cost effective as compared to other forms of information gathering especially when dealing with large sample sizes.

d) Questionnaires are objective as responses given by different respondents answer specific questions asked.

Certain problems are associated with use of questionnaires:

a) Failure to interpret the questions by the respondents

b) Some respondents are unwilling to impact confidential information.

The questionnaire was suitable for this research in order to analyse the existence of the critical success factors and determine the effectiveness of HACT.

3.6.1 Design of questionnaire
The questionnaire contained twenty-five questions and was divided into the following segments:

1. General information
2. Establishing the existence of critical success factors for effective risk management
   a. Commitment and support from top management
   b. Communication
   c. Culture
   d. Organization Structure
   e. Information technology
   f. Strategy
   g. Measurement
3. Evaluating effectiveness of HACT
   The first part consists of general information that identifies the background of the respondent.
   The second part investigates the existence of the critical success factors. There are a variety of questions such as those requiring one answer or those that are open ended. The last part is evaluating the effectiveness of HACT. The questionnaire that was used is shown in Appendix.1.

3.6.2 Pilot study

After the questionnaire was formulated, it was initially sent to a pilot group of approximately five people to ensure that it was easy to interpret and to establish the amount of time that each person needed to complete it. Based on the results of the pilot study the questionnaire was redesigned.

3.6.3 Administration

There are many ways to send a questionnaire to sample groups. In the research the questionnaire was emailed to different sections. The table below shows the dates in which each section was scheduled to complete the questionnaire.

Table 7: Schedule of each section
<table>
<thead>
<tr>
<th>Section</th>
<th>Target group</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>WASH</td>
<td>17</td>
<td>1 July 2013</td>
</tr>
<tr>
<td>BEGE</td>
<td>15</td>
<td>2 July 2013</td>
</tr>
<tr>
<td>YCSD</td>
<td>19</td>
<td>3 July 2013</td>
</tr>
<tr>
<td>CP</td>
<td>13</td>
<td>4 July 2013</td>
</tr>
<tr>
<td>Finance</td>
<td>9</td>
<td>5 July 2013</td>
</tr>
<tr>
<td>CCORE</td>
<td>34</td>
<td>5 July 2013</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107</strong></td>
<td></td>
</tr>
</tbody>
</table>

The summaries of responses were the subject of analysis in chapter four.

### 3.7 Research Procedure

Quantitative method was used to collect data. SPSS was used for analyzing data. Frequency tests, correlation tests and regression tests were performed which helped establish whether the hypotheses will be accepted or rejected. The cronbar alpha was used to test reliability of the answers. It quantifies this reliability by proposing a coefficient which theoretically ranges from 0 to 1. If alpha ($\alpha$) is near 0 then the quantified answers are no reliable, and if alpha ($\alpha$) is close to 1 the answers are very reliable. The reliability level is acceptable at 0.6 or above. A central tendency measure such as the mean was used to establish the most important or frequently used method of communication. An average of 3 was set as the acceptable level.

### 3.8 Research limitations

Respondents were hesitant to complete the questionnaire due to confidentiality issues. The research was conducted towards the days of the elections and employees were in and out of the office conducting field work before the cut off period hence some respondents were not able to complete the questionnaire on time. The evaluation was limited to seven critical success factors but other critical success factors such as trust, training were omitted from the study. More data collection methods could have been used such as face-to-face communication and interviews but there was limited time.
3.9 Summary
The chapter began by outlining the research design and strategy. The quantitative approach was selected and a deductive approach was implemented. The questionnaire was used to collect data and SPSS was used for analysing data. Validity and reliability were considered. The next chapter will present the empirical data from the data collection methods.

CHAPTER 4: RESEARCH FINDINGS

4.1 Introduction
The findings from the data collected using the questionnaire will be presented in this chapter. The results of the survey were processed using SPSS program. Firstly, the response rate is examined and the results of the reliability test using the cronbar alpha will be shown. The percentage of each answer from respondents will be presented and a discussion of the overall results of each variable will be made. Lastly the results of the correlation test and regression tests will be presented.

4.2 Response rate

Out of hundred and seven questionnaires sent out only fifty two responded which brought the response rate to about forty nine percent. This was attributed to the fact that some people were hesitant to answer the questionnaire due to confidentiality issues and at the time of administering the questionnaire the respondents composed of programme personnel who were going to attend workshops in rural areas where network is not accessible.

4.3 Reliability test

The Cronbach Alpha was used to test reliability and the results are summarised in the table below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach Alpha</th>
<th>Number of questions</th>
<th>Item deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment and support from top management</td>
<td>0.7</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Communication</td>
<td>0.842</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Culture</td>
<td>0.62</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>0.69</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Information technology</td>
<td>0.65</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Strategy</td>
<td>0.713</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Measurement</td>
<td>0.58</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>
Cronbach’ alpha uses a range for quantifying reliability with coefficients ranging from 0 to 1. If the alpha ($\alpha$) is close to 0 then answers are not reliable, and if alpha ($\alpha$) is close to 1 the answers are very reliable. The reliability level is acceptable at 0.6 or above. The results of the reliability test show that answers for each variable above are reliable except for measurement that has 0.58 which is almost close to the minimum of 0.6.

4.4 Frequency analysis

4.4.1 The results of general information

The results of the questionnaires that were administered show that 32.7% of the respondents were management and 63.7% were non-managerial. There was an equal distribution in terms of gender which shows that 50% were male and the other 50% were female. The figure below presents the level of educational qualifications of the respondents.

As shown in the figure above 53.9% were post graduates, 36.5% were graduates, 7.7% had a diploma as their highest level of qualification and only 1.9% had a certificate. Respondents were also asked to state their age range and the results are presented in figure 5 below.
Figure 5: Age

51.9% were between the ages of 35 to less than 45 years, 30.8% were between 25 to less than 35, 13.5% were above 45 and only 3.9% of the respondents were below 25 years.

Figure 6: Years of experience

The highest percentage in terms of years of experience is between the range of 2 to less than 5 which had 46.2%, followed by 5 to less than 10 which had 26.9%, then less than 2 years which had 23.1% and finally 10 years and above which had 3.9%.

Based on the demographics findings, the information obtained can be relied upon as the respondents are highly qualified with the highest percentage having attained post graduate qualifications. The respondents were equally distributed in terms
gender hence different perspective can be obtained. Most of the respondents have also been with the organisation for more than two years which means there are familiar with the policies and operations of the organisation.

4.4.2 The results of establishing the existence of critical success factors for effective risk management

In part two of the questionnaire there were questions asked to establish the existence of the seven critical success factors which were commitment and support from top management, communication, culture, organisational structure, information technology, strategy and measurement. This was done to help in assessing the effectiveness of HACT.

a. Commitment and support from top management

![Chart showing authority to establish risk management]

**Figure 7: Authority to establish risk management**

Figure 7 shows the responses respondents gave when asked who had the authority to establish risk management in the organisation 78.8% of the respondents stated the management team, 11.5% stated the representative, 5.8% stated staff and 3.8% stated board or committee.
The respondents were asked how the organisation support its risk management policy as shown in figure 8 above and 63.5% responded by stating allocating of resources, 59.6% chose clearly allocating risk management responsibilities, 32.7% stated by setting up risk management teams, 26.9% stated regularly revising risk management plans, 9.6% stated strictly obeying risk management policy and 7.7% stated listening to problems from employees.

Figure 8: Organisation support for risk management policy

Figure 9: Development of risk management policy
When respondents were asked if the organisation had a policy to support the development of risk management as shown in figure 9, 92.3% stated yes and 7.7% stated no.

Findings from the research indicate that the management team has the authority to establish risk management. This is in line with what was mentioned by authors that top management clearly has a key role in implementing and running enterprise systems in an organization (Dong 2001; Kakabadse et al. 1993). Management support risk management by allocating resources, setting up risk management teams and clearly allocating risk management responsibilities. This is their strategy for maintaining an effective risk management team as indicated by Henriksen and Uhlenfeldt (2006) that top management formulate and decides objectives and strategies for organizational risk management activities, mission and overall objectives. The organization also has policies to support development of risk management in the future.

b. Communication

Respondents were asked how often the organisation communicates through bulletin board, email, face to face, meetings, memo or note or face and telephone. This question was asked in order to establish the most effective mode of communication of risk management procedures.

Table 9: Mean of each mode of communication

<table>
<thead>
<tr>
<th>Mode</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulletin board</td>
<td>51</td>
<td>1.7843</td>
<td>0.7298</td>
</tr>
<tr>
<td>Email</td>
<td>52</td>
<td>3.5769</td>
<td>1.0909</td>
</tr>
<tr>
<td>Face to face</td>
<td>52</td>
<td>3.5962</td>
<td>0.9131</td>
</tr>
<tr>
<td>Meeting</td>
<td>52</td>
<td>3.5385</td>
<td>0.9794</td>
</tr>
<tr>
<td>Memo/Note/Fax</td>
<td>51</td>
<td>2.1961</td>
<td>0.8490</td>
</tr>
<tr>
<td>Telephone</td>
<td>52</td>
<td>2.8654</td>
<td>1.1031</td>
</tr>
</tbody>
</table>
The table above shows the results of the number of respondents, mean and standard deviation of agreement in each statement. The mean value of using a bulletin board, which was 1.78, email was 3.58, face to face was 3.60, meeting was 3.54, memo/note/fax was 2.20 and telephone was 2.87. An acceptable mean level of 3 was set. If the mean value was equal to or more than 3, it was an effective mode of communication. Therefore, E-mail, Face-to-face and Meetings were effective methods of communication whereas Bulletin board, Memo/Note/Fax and telephone were not very effective modes of communication.

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating and maintaining clear communication lines</td>
<td>78.80%</td>
</tr>
<tr>
<td>Encouraging feedback among management and employee</td>
<td>80.80%</td>
</tr>
<tr>
<td>Maintain an open door policy</td>
<td>80.80%</td>
</tr>
<tr>
<td>Developing understanding between management team and employee</td>
<td>75%</td>
</tr>
<tr>
<td>Creating clear and trustworthy information</td>
<td>69.20%</td>
</tr>
</tbody>
</table>

**Figure 10: Effective communication of risk management**

When respondents were asked how the organisation effectively communicated to reduce risk, 80.8% indicated that by maintaining an open door policy, another 80.8% indicated by encouraging feedback among management and employee, 78.8% indicated by creating and maintaining clear communication lines, 75% indicated by developing understanding between management team and employee whilst 69.2% indicated by creating clear and trustworthy information.

UNICEF Zimbabwe communicates HACT procedures effectively through email, face to face and meetings. Bulletin board, memo/note/face and telephone are not effectively used. An open door policy and encouraging feedback among management and employees are measures popularly used to reduce risk. This is
important as stated by Clutterbuck and Hirst(2002) that communication ensures that the team members understand and support not only where the team is now but also what they want to be. Communication is one of the critical success factors hence there is a positive correlation between communication and the effectiveness of HACT as reviewed above.

c. Culture
When respondents were asked whether the organisation encouraged a risk management culture 98.1% stated ‘Yes’ whilst 1.9% stated ‘No’. The respondents were asked to specify if they chose a yes and 13.5% specified saying through ethical standards training, communication to employees, whistle blowing policy and feedback on development.

![Figure 11: Risk management culture](image)

The findings review that UNICEF Zimbabwe encourages a risk management culture by offering ethical standards training, whistle blowing policy and encouraging communication amongst staff. Culture influences people on how they perceive risks, attitudes and the way they handle the risks (Theil& Ferguson, 2003), and shapes and coordinates employees behaviours in order to achieve the objectives (Berenbeim, 2004). Hence by encouraging such a culture, UNICEF Zimbabwe is able to minimize such risks.
d. **Organisational structure**

In figure 13 a yes/no question was asked on whether their organization had a documented HACT guideline or policy. 98.1% of respondents replied ‘Yes’ and 1.9% replied ‘No’.

![Figure 12: HACT guideline or policy](image)

In figure 13 respondents were asked a yes/no question on whether the organisational structure provided clear lines of reporting and allocation of duties to enable effective implementation of HACT, 67.3% of respondents replied ‘Yes’ and 30.8% replied ‘No’.
Figure 13: Reporting and allocation of duties to enable effective implementation of HACT

It was reviewed from the findings that the organization has a documented HACT guideline or policy and most of the respondents agreed that the organizational structure provided clear lines of reporting and allocation of duties to enable effective implementation of HACT. UNICEF Zimbabwe’s operations are centralized at the headquarters hence this is in line with the literature that argues that transparency and control that follows from a centralized treasury management system contributes to better risk management (Alonso, et al., 2008, pp. 145-146). Further he also argues that to meet the compliance requirements of today a company must have a centralized cash management structure (Struzenski, 2006, p. 60). However a few of the respondents stated that there were no clear lines of reporting and allocation of duties, this might be due to the fact that accounting functions within the organization are not centralized to the accounting department and that the job descriptions are not specific as reviewed in the SWOT analysis.

e. Information technology

In figure 14, 94.2% of respondents replied ‘Yes’ to the use of international standards, methodologies or frameworks to protect information. That means their organizations use similar standard or methodologies with other UNICEF country offices for protected IT risk. Few of the respondents, 5.8% replied ‘No’.
When respondents were asked whether the introduction of SAP (vision) helped minimise risk within the organisation as shown in the figure 15 below, 96.2% replied ‘Yes’ and 3.9% replied ‘No’. Those who replied ‘No’ were asked to specify and some of the reasons were it had complex reporting procedures for instance if partners did not liquidate a grant within six months which was the required timeframe the system would not allow to disburse some more funds, hence programme implementation would be delayed and reporting within the deadline would be impossible.
It was reviewed that the organization uses international standards, methodologies to protect information and that introduction of SAP helped minimize risk. This is supported by Xenomorph (2007) who argues that “Effective risk management is impossible without effective information technology” and describes the IT architecture necessary for this. Few of the respondents were of the opinion that SAP did not help minimize risk because it had complex reporting procedures for instance if partners did not liquidate a grant within six months which was the required timeframe the system would not allow to disburse some more funds, hence programme implementation would be delayed and reporting within the deadline would be impossible. This is in line with the findings by DESA (2012) when they carried out a HACT assessment, that HACT introduced a complexity to the management of cash disbursements and reporting.

f. Strategy

Figure 16: Frequency of HACT training courses

Figure 16 above represents the responses given by respondents when they were asked how often the organisation provides HACT training courses. This question was asked to establish the effectiveness of the organisation's strategy. 63.5% of the respondents replied more than two times which was the highest response rate, 15.4% replied one time, 13.5% replied two times whilst 7.7% stated less than one
time. This shows that management have an effective risk management strategy since they promoted continuous learning development.

Figure 17: Improvement of financial management capabilities of implementing partners

In figure 17 respondents were asked a yes/no question on whether the HACT training courses improved the financial management capabilities of implementing partners. This question was asked to find out whether the objectives of HACT were met. 96.2% replied ‘Yes’ whilst 3.9% replied ‘No’.

Figure 18: Training of HACT to new employees as soon as they join
The respondents were asked a yes/no question on whether the organization offered HACT training to new employees as soon as they joined, the results are shown in figure 18 above. This question was asked to establish whether the risk management procedures will be consistently applied in the future. 82.7% replied ‘No’ whilst 17.3% replied ‘Yes’.

Most of the respondents agreed that HACT training courses were offered more than two times a year which is important for the risk management tool to be effectively applied. NSW Department of State and Regional Development (2005) suggest that effective risk management becomes a part of good business practice and include training staff appropriately. The training courses have improved the financial management capabilities of implementing partners this is supported by Carey (2001) who shows that the ability to respond to changing conditions in an organization’s operations relates to a range of activities including the development of risk training courses and the involvement of staff in responding to early warning systems. Geisel (2008) states that attaining a successful ERM program is dependent on the full support from a company’s senior management and board of directors and adds that the effectiveness of ERM comes from integrating it into the business plan and strategy. HACT training courses are not provided to new employees as soon as they join which is not in line with the firm’s strategy of ensuring consistent application of the tool to reduce risk.

g. Measurement

Respondents were asked how the organisation monitors the effectiveness of HACT, 94.2% of the respondents indicated by conducting spot checks, 40.4% indicated by programme monitoring visits, 28.8% indicated by internal audits, 25% indicated by measuring expectation to what was actually achieved in project implementation and 1.9% indicated other which are recruitment of experienced finance staff to assist government implementing partners. The results are shown in figure 19 below.
Figure 19: Monitoring the effectiveness of HACT

Most of the respondents indicated that effectiveness of HACT is monitored through conducting spot checks and by programme monitoring visits. A key to successful risk management is that proactive actions are owned by individuals and are monitored (Larman, 2004). According to Riskcover (2011), as with communication and consultation, monitoring and review is an ongoing part of risk management that is integral to every step of the process. United nations in Bhutan (2012) illustrated that the HACT procedure encouraged closer monitoring through more intense field visits.

4.4.3 The results of evaluating the effectiveness of HACT

Part three of the questionnaire asked questions which would help determine the effectiveness of HACT and whether people were aware of the objectives of the risk management tool and whether these have been met.
Figure 20: Objectives of HACT

In figure 20 respondents were asked what the objectives of HACT, 86.5% stated minimising risks on cash transfer, 65.4% stated to reduce transaction costs for implementing partners, 30.8% stated to ensure a standardised reporting framework whilst 5.8% stated to measure performance among UN agencies.

Figure 21: Achievement of objectives

When asked whether the objectives were met as shown in figure 21 above, 92.3% stated ‘Yes’ whilst 7.7% stated ‘No’. This shows that the majority were of the opinion that the objectives were met.
A yes/no question was also asked on whether macro-assessments and micro-assessments were performed for all implementing partners before funds were disbursed. 63.5% replied ‘No’ whilst 36.5% replied ‘Yes’. Those that stated ‘No’ were asked to specify and they specified saying in some cases funds to be disbursed were once off and were a maximum of $10,000 it became too expensive to conduct micro assessments. Others were of the opinion that the organisation lacked capacity, sometimes project time lines did not match timetable for micro assessments and hence micro assessments were done in retrospect. It was also stated that assessments of firms or partners were engaged after contracts had been agreed. The results are shown in figure 22 above.

Figure 22: Performance of macro-assessments and micro-assessments for all implementing partners before funds have been disbursed
Respondents were asked whether weaknesses in internal control systems raised in micro-assessments were addressed by implementing partners. 75% stated ‘Yes’ and 25% stated ‘No’.

Figure 24 presents the responses that were given when respondents were asked what support was given to implementing partners to assist them to address concerns raised in micro-assessments. This question was asked to establish whether weaknesses identified were resolved so as to reduce risks in funds transferred to implementing partners. 96.2% responded that capacity building workshops, 1.9% indicated by allocation of resources whilst another 1.9% indicated none.
When respondents were asked how they rated HACT as a risk management tool, 51.9% replied it was partly effective, 46.2% replied it was effective and 1.9% replied it was not effective.

Most of the respondents agreed that the objectives of HACT were to minimise risk in cash transfer and reduce transaction costs for implementing partners. This is supported by the Department of Economic Social Affairs (DESA, 2012). The respondents regard it more as a risk management tool as evidence by the highest response rate on minimizing risk in cash transfer. Respondents indicated that the objectives had been met however there was inconsistency in the application of the procedure as respondents indicated that micro-assessments were not always done before funds were disbursed even if partners were receiving funds above $100,000. This is evident in other countries such as Ethiopia, Kenya and Nigeria where according to The Office of Internal Audit and Investigations (OIAI) (2013) an internal audit was carried out in these countries and micro-assessments had either not been done or were partly done. According to the UNDG (2005) micro-assessments can be done for implementing partners receiving a $100,000 and above hence some of the reasons for not conducting micro-assessments were because the implementing partners were receiving less than $100,000. There were also reasons for capacity constraints when it came to carrying out micro-assessments which was also mentioned by UNDP Office of Audit and Investigations (2011).

Most of the respondents agreed that weaknesses in internal control systems raised in micro-assessments were being addressed by implementing partners. Capacity building workshops were done to assist implementing partners address concerns raised in micro-assessments.

When respondents were asked to rate HACT as a risk management tool, most of the respondents indicated that it was partly effective. This is in line with what was reviewed by DESA (2012) when the UNDG HACT Advisory Committee conducted an assessment of the HACT approach in December 2011 for 114 countries and the overall conclusion of the assessment was that HACT has been in part successful.
since many countries had not implemented HACT beyond the initial stages of the required capacity assessments.

4.5 Parametric tests

Table 10: Tests of normality

<table>
<thead>
<tr>
<th>Variable</th>
<th>Kolmogorov-Smirnov(^a)</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td>commitment_and_support</td>
<td>.225</td>
<td>.896</td>
</tr>
<tr>
<td>communication</td>
<td>.124</td>
<td>.963</td>
</tr>
<tr>
<td>culture</td>
<td>.524</td>
<td>.376</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>.427</td>
<td>.623</td>
</tr>
<tr>
<td>IT</td>
<td>.535</td>
<td>.299</td>
</tr>
<tr>
<td>strategy</td>
<td>.330</td>
<td>.790</td>
</tr>
<tr>
<td>measurement</td>
<td>.332</td>
<td>.738</td>
</tr>
</tbody>
</table>

a. Lilliefors Significance Correction

The results of the normality tests are shown above in table 10. The researcher used Kolmogorov-Smirnov\(^a\) because the population was above 50. The data is not normally distributed because the statistical significance was 0.05 and below. It is positively skewed.

4.6 Correlation tests

Table 11: Spearman’s rho

<table>
<thead>
<tr>
<th>Variable</th>
<th>Spearman’s rho</th>
</tr>
</thead>
<tbody>
<tr>
<td>commitment_and_support</td>
<td>0.40</td>
</tr>
<tr>
<td>communication</td>
<td>0.548</td>
</tr>
<tr>
<td>culture</td>
<td>0.075</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>0.814</td>
</tr>
<tr>
<td>IT</td>
<td>0.415</td>
</tr>
<tr>
<td>strategy</td>
<td>0.482</td>
</tr>
<tr>
<td>measurement</td>
<td>0.084</td>
</tr>
</tbody>
</table>
The spearman’s rho was used to measure statistical significance as data is not normally distributed (refer to appendix 2). Table 11 show the r values of the variables. Organisational structure has a strong correlation of 0.814, followed by communication with a moderate correlation of 0.514. Strategy, information technology and commitment and support have a moderate to low correlation of 0.482, 0.415 and 0.40 respectively. Measurement and culture’s correlation is too low to be meaningful with r values of 0.084 and 0.075 respectively. Based on these findings the hypotheses were confirmed as indicated below because the r value was greater than 0.05.

**Table 12: The results of testing hypothesis**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Meaning</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>An organisation’s strategy enhances/improves risk management.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H2</td>
<td>An organisation’s culture enhances/improves risk management.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H3</td>
<td>An organisation’s commitment and support from top management enhances/improves risk management</td>
<td>confirmed</td>
</tr>
<tr>
<td>H4</td>
<td>An organisation’s organisational structure enhances/improves risk management.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H5</td>
<td>An organisation’s communication enhances/improves risk management.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H6</td>
<td>An organisation’s Information technology enhances/improves risk management.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H7</td>
<td>An organisation’s risk measurement enhances/improves risk management.</td>
<td>confirmed</td>
</tr>
</tbody>
</table>

This is supported by the literature by Yaraghi and Langne (2011), Galorath (2006), Lenkus (2005), Hasanali (2002) and MacDonald (2004) when they identified these as critical success factors for effective risk management.
4.7 Regression tests

The regression coefficients are shown in table 13 below. The intercept 16.68, is representing the estimated average value of effectiveness of HACT when communication, organisational structure, information technology, strategy and commitment and support from top management, culture and measurement are zero. Thus if the organisation lacks the variables above then the effectiveness of HACT will be questionable. The slope of communication, which is 0.05 means change in communication is 0.05 when effectiveness of HACT increases by 1. The slope of commitment and support (0.208) shows that communication and support on an average is increased by 0.208 when effectiveness of HACT is increased by 1.

Table 13: Regression analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>16.683</td>
<td>3.016</td>
<td>.054</td>
<td>.014</td>
</tr>
<tr>
<td>communication</td>
<td>.005</td>
<td>.054</td>
<td>.014</td>
<td>.014</td>
</tr>
<tr>
<td>culture</td>
<td>-1.256</td>
<td>.517</td>
<td>-.343</td>
<td>-2.430</td>
</tr>
<tr>
<td>organisation</td>
<td>-.188</td>
<td>.331</td>
<td>-.082</td>
<td>-.568</td>
</tr>
<tr>
<td>IT</td>
<td>-.279</td>
<td>.613</td>
<td>-.064</td>
<td>-.456</td>
</tr>
<tr>
<td>strategy</td>
<td>-.017</td>
<td>.163</td>
<td>-.017</td>
<td>-.104</td>
</tr>
<tr>
<td>measurement</td>
<td>.248</td>
<td>.172</td>
<td>.240</td>
<td>1.443</td>
</tr>
<tr>
<td>commitment_and_support</td>
<td>.208</td>
<td>.116</td>
<td>.273</td>
<td>1.793</td>
</tr>
</tbody>
</table>

a. Dependent Variable: effectiveness_of_HACT
Table 14: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.501(^a)</td>
<td>.251</td>
<td>.129</td>
<td>1.11038</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), commitment_and_support, strategy, culture, IT, organisation, communication, measurement
b. Dependent Variable: effectiveness_of_HACT

Table 15: Anova

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>17.728</td>
<td>7</td>
<td>2.533</td>
<td>2.054</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>53.017</td>
<td>43</td>
<td>1.233</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>70.745</td>
<td>50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), commitment_and_support, strategy, culture, IT, organisation, communication, measurement
b. Dependent Variable: effectiveness_of_HACT

The results from table 14 above indicate that commitment and support from top management, strategy, information technology, organisational structure, culture, measurement and communication contribute 25% towards the R value. This is low and might be attributed to the fact that a low rate is achieved when measuring human behaviour due to differences in opinion. An examination of these variables indicated that measurement, commitment and support from top management and communication represented the strongest effect on the effectiveness of HACT with standard beta of 0.248, 0.208 and 0.05 respectively.

R=0.251 measure goodness of the linear regression given as below:

Effectiveness= 16.683+0.005(C)-0.188 (OS) - 0.279 (IT) -0.017(S) +0.208 (CS) +0.248(M) - 1.256(CL)
It shows linearity of the data that helped to predict the best fitted model as the residuals are low or close to zero.

4.8 Summary
The chapter presented the findings from the research and seven critical success factors were identified which were commitment and support from top management, communication, strategy, organisational structure and information technology, culture and measurement. The next chapter will give recommendations and conclusions on the findings.
CHAPTER FIVE- CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction
This chapter concludes the research study. It gives an overall conclusion to the whole research and answers the research questions. Recommendations based on the findings will be given and finally, further research is suggested in the last part of this chapter.

5.2 Conclusion
The aim of the research was to evaluate the effectiveness of the harmonised cash transfer approach (HACT) as a risk management tool. Its adoption meant that as opposed to the old system where cash was transferred to implementing partners without an assessment of the financial management systems, partners had to undergo financial management assessments which were done by conducting macro-assessments and micro-assessments. This helped establish the risk profiles of partners thereby influencing the modality by which cash was to be transferred. Risk was becoming a major issue amongst donors hence the risk management process had to be adhered.

A quantitative approach, namely a self-completion questionnaire, was used to collect data. The questionnaires were sent to 107 of potential samples, drivers, students on attachment and general hands were removed from the sample selection process. The questionnaires that were sent out 52 responded which gave the response rate to about 49%.

The following were the conclusions based on the findings:

• **Support and commitment amongst top management and users was crucial for the success of HACT**
  It can be observed from the findings that inconsistencies in conducting micro-assessments affect the effectiveness of HACT. Users were not conducting micro-assessment regardless the implementing
partner was receiving more than $100,000 which was the threshold which increased the risk in transfer of funds.

- **An organisation's strategy and communication are critical success factor in the implementation of the risk management tool.**
  New employees who were not trained on the risk management tool as soon as they joined were not able to consistently apply the procedures to minimize risk hence this compromised its effectiveness. Communication is essential so that people can work towards the same goal.

- **Information technology is a critical success factor in the implementation of HACT**
  It can be concluded that the existence of a vibrant information system supports the achievement of the objectives of the organization and minimizes risk. Due to lack of training in SAP, users found it complicated to disburse funds to implementing partners following the stipulated HACT guidelines.

- **A well-defined organizational structure encourages transparency and minimizes risk.**
  Where duties, responsibilities, and reporting lines are not clearly defined, there is a lack of accountability which increases risk within an organizational structure as evidenced from our findings and SWOT analysis. Accounting functions are not centralized hence anyone can access and manipulate financial information which also creates complex reporting procedures.

- **Measurement or monitoring is a critical factor in minimizing risk**
  It can be concluded that consistent monitoring and measurement of performance is critical in minimizing risk. Disbursing funds before a micro-assessment compromised the effectiveness of the tool as the best modality for dealing with the implementing partner would not be known.
5.3 Research hypotheses validation

The findings reviewed that the seven critical success factors suggested in the literature contributed towards the effectiveness of HACT. These factors were commitment and support from top management, communication, information technology, organizational structure, culture, measurement and strategy. The hypotheses were therefore confirmed. The major hypothesis was also confirmed as HACT was effective but it had some challenges that needed to be addressed. It had managed to improve the financial management capabilities of implementing partners through capacity building workshops.

5.4 Recommendations

The researcher made the following recommendations to improve the effectiveness of HACT:

- **Centralisation of accounting functions**
  The accounting functions within UNICEF Zimbabwe should be centralised in the accounting department to enable accurate and constant monitoring of transactions. This also minimises the amount of errors due to transactions being processed to the wrong account as some of the personnel do not have an accounting background. Centralization is associated with the dysfunctions of bureaucracy, like red-tape. A centralized accounting function enables transparency and control which contributes to better risk management.

- **Outsourcing of audit functions**
  UNICEF Zimbabwe should outsource external audit firms to conduct micro-assessments and spot checks as it lacks the capacity to perform these. This minimises risk as the personnel conducting the spot checks and micro-assessments are independent and will not manipulate the risk profiles of the partners.

- **Revision of the HACT policy**
  The current policy on HACT is that micro-assessments should be done for cash transfers above $100 000 to implementing partners however there
should be a revision of the policy stating that micro-assessment should be
done for implementing partners regardless of the amount. The funds may be
individually insignificant but when aggregated there can be material.
Transferring funds to implementing partners without assessing their risk
profiles can be very risky as funds may not be used for the intended
purpose.

- **Offering HACT training courses**
  HACT training courses should be offered to new personnel as soon as they
  join to encourage consistent application of the risk management tool.

- **Practical training of SAP**
  Practical training courses should be offered to employees on the functions of
  SAP to enable accurate processing of transactions. This also minimises
delays in reporting to donors.

- **Revision of job description**
  Job descriptions should also be made more specific as some of the
  respondents were of the opinion that there were more generalised. This
  enables segregation of duties and minimises risk as authority to perform
  some other important tasks are limited to top management.

### 5.5 Suggestion for Further Research

There has not been much research carried out on this tool and suggestions
concerning the expansion of the present study have arisen. The main aim of HACT
was to reduce transaction costs but there has not been a research to really assess
how this has been done and there are no measures to assess this. The research
only focused on quantitative analysis but further investigations can be done through
conducting interviews. Further research can also be done from the perspective of
the implementing partners as this research was confined to employees of UNICEF
Zimbabwe but not on the perspective of the implementing partners on how they
view the effectiveness of the risk management tool.
REFERENCES


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