



SPI4, the Universal Standards and Internal Audit/Control

SP Fund, 19th May 2016

Association focused on disseminating knowledge and tools for ethical finance

- **Founding members:** five French organizations specialized in microfinance
- **Partners:** MFIs, networks, TA providers, investors, donors, researchers, worldwide
- **Working areas:** impact and social performance, governance, rural and agricultural finance.

www.cerise-microfinance.org

Social Performance Fund – 3rd round

Who we target?

- ✓ MFIs, National networks, Local regulators, Investors

SP Fund offer for Microfinance Stakeholders

- ✓ On-line trainings (in English, Spanish and Russian) for network representatives, MFIs' managers, credit analysts and SPI4 auditors on the data collection and use of SPI4
- ✓ Off site individual TA for selected MFIs, networks and credit analysts
- ✓ Scholarships to participate to SPTF annual meeting in 2016 and 2017

Next calls for proposals autumn 2016

More: <http://www.mfc.org.pl>



1. Discuss the key issues around Internal Audit/Control in SPM
2. Understand the key indicators related to IA in the Universal Standards (and SPI4 filtering option)
3. See examples on how to improve practices on IA
4. Identify technical resources

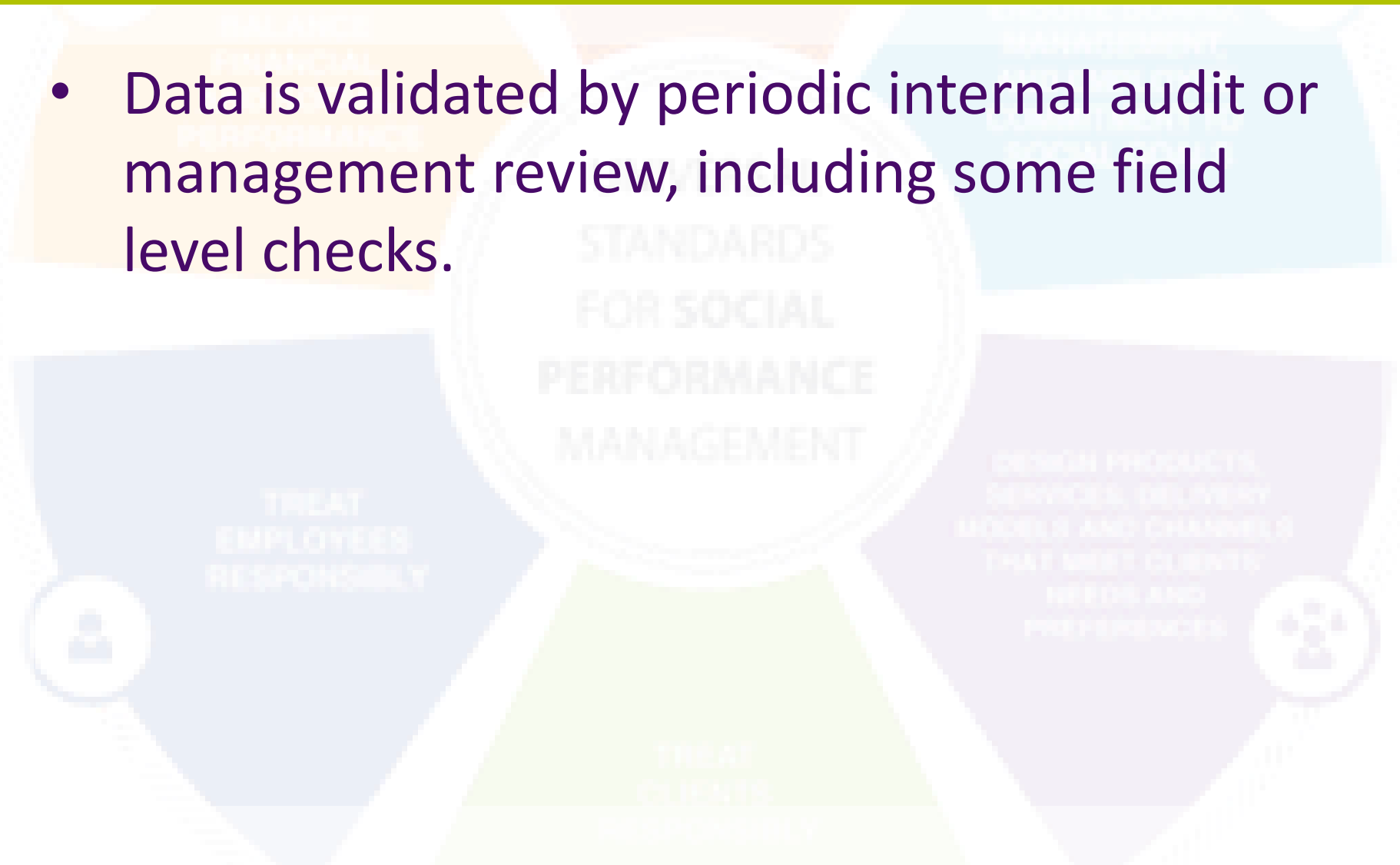




What are the key issues around internal audit in SPM?

Dimension 1 : Define and monitor social goals

- Data is validated by periodic internal audit or management review, including some field level checks.



Dimension 2 - Ensure board, management, and employee commitment to social goals

- Internal audit and/or risk management integrates social performance criteria into their regular activities.
- There is sufficient monitoring of the practices (by operations department, internal audits, etc.) to provide education or sanctions as necessary.

Dimension 4: Treat clients responsibly

- The institution's repayment capacity policy is uniformly used in practice.
- The institution has a supervisory system in place to ensure that the credit bureau or competitor data is effectively used to inform credit analysis and decisions.
- The institution's internal audit and/or internal controls department verifies the compliance with the policies and systems used to prevent the risk of client over-indebtedness.
- The institution's internal audit and/or other departments (except for credit and/or collections departments) visit a representative sample of clients each year.



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How to assess practices on Internal Audit?

How to assess IA issues with SPI4?

The screenshot shows the Microsoft Excel interface with the 'Révision' (Review) tab selected. The 'Ôter la protection de la feuille' (Remove Sheet Protection) dialog box is open, explaining that sheet protection prevents unwanted changes to data and formatting. The dialog box includes instructions on how to specify a password to deactivate protection and authorize changes. A red arrow points to the 'Révision' tab, and another red arrow points to the 'Ôter la protection de la feuille' button in the ribbon. A third red arrow points to the 'Plus' (More) button in the bottom right corner of the Excel window.

SPI-4 1.3.1_for_site - Microsoft Excel

ise en page Formules Données **Révision** Page Développeur

Traduction Nouveau Supprimer Précédent Suivant Commentaires Afficher/masquer le commentaire Afficher tous les commentaires Afficher les entrées manuscrites

Protéger et partager le classeur Protéger le classeur Partager le classeur Permettre la modification des pages Suivi des modifications

Ôter la protection de la feuille

Empêche que des modifications indésirables soient apportées aux données d'une feuille en spécifiant les informations qui peuvent être modifiées.

Par exemple, vous pouvez empêcher que certains utilisateurs modifient les cellules verrouillées ou la mise en forme du document.

Vous pouvez spécifier un mot de passe pour désactiver la protection de la feuille et autoriser ces modifications.

Appuyez sur F1 pour obtenir de l'aide.

Welcome ! Please fill out the questionnaire

1 Dim 2 Dim 3 Dim 4 Dim 5 Dim 6

LINE AND MONITOR SOCIAL GOALS

institution has a strategy to achieve its social goals.

institution's strategy includes a formal mission statement, which includes increasing access to social services for vulnerable or excluded target groups and creating benefits for these clients.

institution's mission statement specifies:

clients, which include vulnerable or excluded groups



Questions/Confusing or challenging indicators?





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**Examples how to align Internal
Audit/Control department with Universal
Standards**

Examples of tasks (1)

- *At client level:*
 - ✓ *Check average loan processing time*
 - ✓ *Spot-check loan officers' repayment capacity calculations*
 - ✓ *Spot-check loan collection approaches*
 - ✓ *Interview clients to assess their knowledge of service terms and conditions, and soliciting feedback on client–staff relationships*
 - ✓ *Check how complaints are resolved*

Examples of tasks (2)

- *At Staff level:*
 - ✓ *Check diversity of selected candidates against applicants*
 - ✓ *Check salaries to check for gender and other biases*
 - ✓ *Check compliance with local law and transparency of salary scale*
 - ✓ *Check Staff awareness about the Code of Ethics and other procedures*

The role of IA in preventing over-indebtedness – example from Partner, BiH

- *IA questionnaire for clients:*
 - ✓ *Did the loan officer visit you before loan disbursement?*
 - ✓ *Who are the guarantors of your credit?*
 - ✓ *Did you personally sign the contract?*
 - ✓ *Did you personally collect the loan disbursement?*
 - ✓ *Have you been using the loan yourself or jointly with other people?*
 - ✓ *Did you have to pay any charges besides the loan fee and installment?*
 - ✓ *What was the purpose of the loan? What did you invest money in?*
 - ✓ *What problems are you having repaying the loan (if not repaying on time)?*
 - ✓ *Does anyone in your household have other loans from Partner? For how much?*

The challenges for Audit in SPM

- *A representative sample of clients*
- *Focus on Internal Audit on « mistakes » (identifying problems, risks, violation of rules, etc.)*
 - *one MFI created a « compliance team » focusing in general on clients' feedback (negative, but also positive)*



Questions?

Experience to share?





MICROFINANCE CENTRE

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**Technical resources for Internal
Audit/Control departments**

Where to find SPI4 and related resources?

www.cerise-spi4.org



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DOWNLOAD SPI4



CONDUCT AN AUDIT



GET TRAINED



SPI4 IN NUMBERS

version 1.3 released FEB 2016

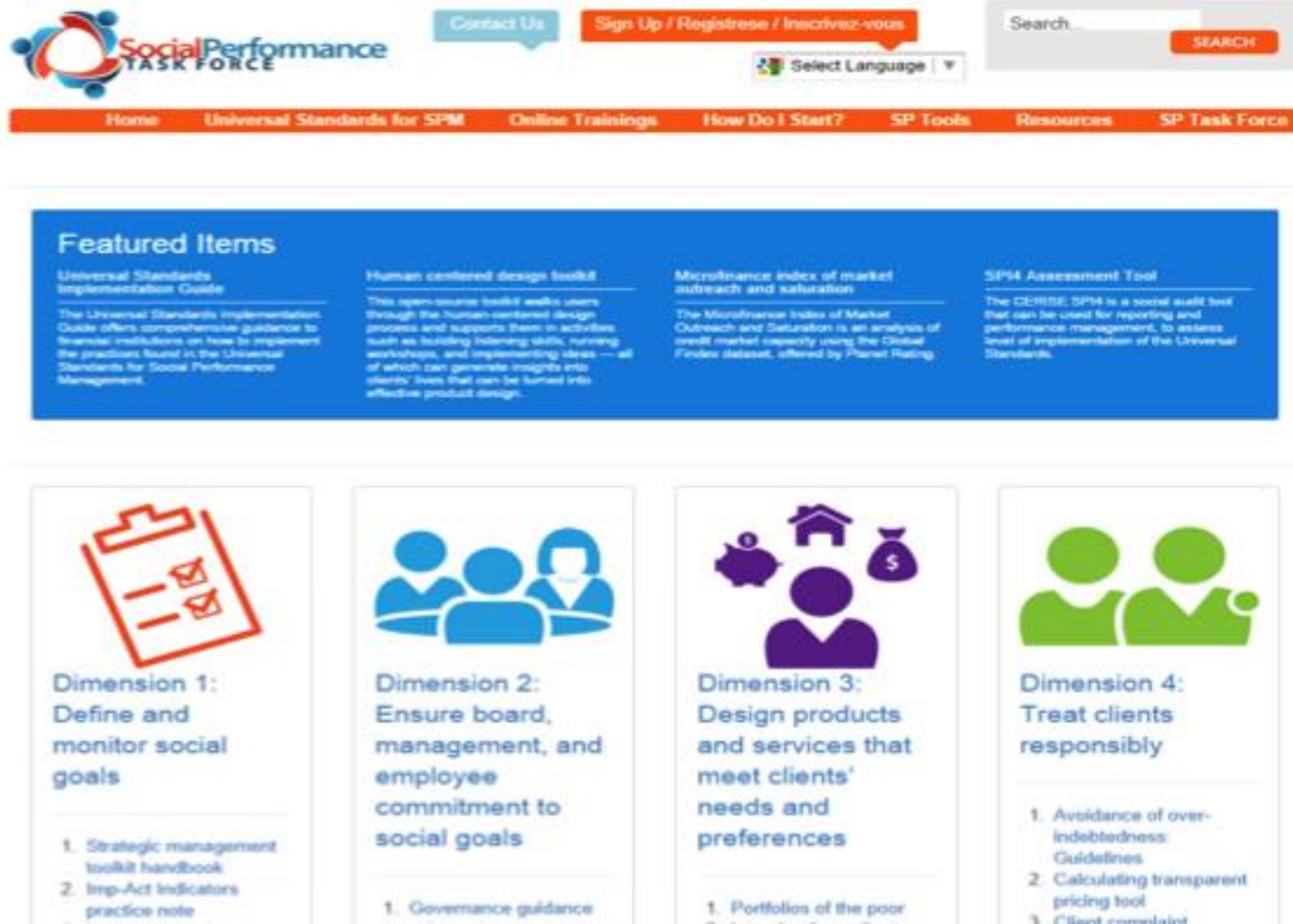
NEWSLETTER ALINUS
SPI4 FOR INVESTORS

SPI4 BENCHMARKS OCT
2015

QUALIFIED AUDITORS LIST

Consult the SPTF Resource Center!

<http://sptf.info/resources/resource-center>



Social Performance TASK FORCE

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Featured Items

- Universal Standards Implementation Guide**
The Universal Standards Implementation Guide offers comprehensive guidance to financial institutions on how to implement the practices found in the Universal Standards for Social Performance Management.
- Human centered design toolkit**
This open source toolkit walks users through the human-centered design process and supports them in activities such as building listening skills, running workshops, and implementing ideas — all of which can generate insights into clients' lives that can be turned into effective product design.
- Microfinance index of market outreach and saturation**
The Microfinance Index of Market Outreach and Saturation is an analysis of credit market capacity using the Global Index dataset, offered by Planet Rating.
- SP14 Assessment Tool**
The CCRISE SP14 is a social audit tool that can be used for reporting and performance management, to assess level of implementation of the Universal Standards.

Dimensions

- Dimension 1: Define and monitor social goals**
 1. Strategic management toolkit handbook
 2. Imp-Act Indicators practice note
- Dimension 2: Ensure board, management, and employee commitment to social goals**
 1. Governance guidance
- Dimension 3: Design products and services that meet clients' needs and preferences**
 1. Portfolios of the poor
- Dimension 4: Treat clients responsibly**
 1. Avoidance of over-indebtedness: Guidelines
 2. Calculating transparent pricing tool
 3. Client complaint

Specific resources for Internal Audit/Internal control

Universal Standards Implementation guide

<http://sptf.info/spmstandards/universal-standards>

Smart operation: see chapter on Operations: Appropriate roles for 11 areas of microfinance operations.

<http://www.smartcampaign.org/tools-a-resources/796>

Smart Note: Facing Over-indebtedness at Partner Microcredit Foundation

[http://smartcampaign.org/storage/documents/Tools and Resources/Over-indebtedness Partner.pdf](http://smartcampaign.org/storage/documents/Tools_and_Resources/Over-indebtedness_Partner.pdf)

Imp-Act Guidance Note: Internal controls and audit: Integrating SPM into microfinance capacity building

http://sptf.info/images/internal_control_guidance_note.pdf

If you need help...

- SP Fund can offer off site TA in English, Spanish and Russian e.g.
 - ✓ *Provide guidance in conducting an audit, understanding the indicators*
 - ✓ *Suggest existing tools which can help reduce SP gaps*

Next webinar: SPI4 – financial data verification (for financial managers)



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