Section 1
Standards of Use

- GETTING STARTED
- AUDIT PROCESS
- PREPARATION PHASE
- IMPLEMENTATION PHASE
- REPORTING PHASE
- AFTER THE AUDIT: USING SPI RESULTS
Standards of use

These Standards of Use outline the practices SPI4 users should follow to produce high quality results that lead to accurate social statements, effective action planning and tangible improvements for the audited financial service providers. SPI4 was developed with microfinance sector stakeholders using an open, collaborative and transparent approach. In return for the free use of the tool, CERISE requests that users respect the following rules:

> INFORM
Inform CERISE of any audits conducted. Keeping us informed helps us keep users informed of updates to the tool and new resources, and reduces the reporting burden on financial institutions by letting users know if an audit has previously been done by the institution. CERISE will never share audit results, but does communicate the list of audited FSPs.

> ABIDE
Abide by the Terms and Conditions for Auditors and the Standards of Use defined below. These guidelines on how to conduct an audit ensure that the audit process is conducted efficiently and effectively. The Standards of Use link users to useful resources for conducting an audit, designed to standardize the process and make it easier for auditors.

> SUBMIT
Submit the completed questionnaire to CERISE within 4 weeks of completing the audit. Results are entered into a confidential database used to generate benchmarks for comparing results with peers. Benchmark tables are updated regularly on https://cerise-spm.org. CERISE will never share SPI4 results without authorization from the FSP.

To ensure high quality results, CERISE strongly encourages SPI4 users to get trained on how to apply the questionnaire and pass an auditor qualification process. See Get Trained section on the SPI4 website for more information on the Auditor Qualification Process. The process is open to all who are interested. It is valuable for people who want to use SPI4 to accompany financial service providers or to use it internally in their own organizations.
Getting started

Choose the type of audit

Self assessment
The FSP fills in the questionnaire alone.
As a self-assessment tool, the SPI4 encourages internal debate on social strategy, transparency and accountability, while helping FSPs identify their own strengths and weaknesses.

Accompanied self-assessment
The FSP fills in the questionnaire with support from a SPI4 auditor.
In this case, the FSP benefits from an external, more objective perspective.

• Option 1: The FSP focal point can fill in the SPI4 first, and the auditor can then review, comment and complete the questionnaire during the on-site visit.
• Option 2: The auditor fills in the SPI4 with or without support from the FSP focal point, and the management team reviews, comments and validates the results as part of the exit meeting.

Choose the approach

Centralized
With top management only. A centralized approach is sufficient for a rapid diagnosis and for external communication. This approach gives the FSP a quick overview of its social performance and identifies its strengths and weaknesses.

Participatory
With different stakeholders involved in the audit process (senior management, middle management, branch management, loan officers, elected representatives, external partners, clients, etc.).

A participatory approach encourages better appropriation of results for strategic planning on social performance management. It encourages dialogue and internal analysis of the FSP’s practices. In our experience, with the participatory approach, the audit tends to be more representative of the institution as a whole and thus conclusions and operational recommendations are more likely to be accepted and implemented by staff.
Centralized Approach

- **Introduce** the SPI4 process to top management (2h)
- **Prepare** and consult documentation (4h - 2days)

Participatory Approach

- **Introductory workshop** with stakeholders (3-4h)
- **Focus groups** with clients, visits to external stakeholders (2-5 days)
- **Workshop** to share and discuss findings (2h)
- **Workshop** to prioritize actions and define action plan (3-4h)

Audit process

- **PHASE 1: PREPARATION**
  - 0.5 - 2 days
- **PHASE 2: IMPLEMENTATION**
  - 1.5 - 6 days depending on the stakeholders involved
  - **Conduct interviews** to fill in the questionnaire (1-4 days)
  - **Internal dissemination** of findings, in particular with BoD (2h)
- **PHASE 3: REPORTING**
  - 1 - 2 days
  - **Send** SPI questionnaire to CERISE/SPI database
  - Prepare summary report and define an action plan (1-2 days)

Audit Resources

- SPI4 Step by Step
- Intro Meeting Powerpoint template
- Introduction letter
- Document and Interviewee Check List
- Sample SPI4 & report
- Sample TOR
- Audit Guide
- Glossary
- Focus Group Guidelines
- Exit Meeting Powerpoint template
- Report Template
- Action plan template
- USSPM Implementation Guide
Preparation Phase

Introduce the audit process

a. Download the most recent version of the SPI4 from the SPI4 website.

b. Familiarize yourself with the tool and be ready to explain the process to top management or other participating stakeholders. (Ideally, you have been trained on SPI4; check the Get Trained section of the SPI4 website for upcoming trainings and virtual webinars). Consult the Step by Step on the SPI4 website, under Conduct an Audit section.

c. Formally introduce the SPI4 tool to the financial service provider. Make sure the FSP understands the purpose of the audit, and how it can help address social performance risks. Ideally, you should get the FSP’s consent to share results of the audit on a confidential basis with CERISE so as to have access to peer benchmark. The FSP can also give consent to CERISE to share the MIX Report with MIX.

d. Send the CERISE SPI4 file to the FSP along with a formal letter of introduction.

e. Schedule a preliminary virtual or face-to-face meeting with relevant stakeholders in the process. Establish the calendar for the audit. Discuss, as needed, non-disclosure terms.

Desk review

a. Prepare for the audit by thoroughly researching the FSP’s context.

b. Find out what social performance initiatives have already been undertaken by the FSP, and which social performance assessment/reporting tools have been used.

c. Request the documentation and schedule interviews to fill in the questionnaire. Some financial and quantitative information (mainly from MIS) should be prepared up-front, as well as reading of key documents, when available (see here for a Checklist of relevant documents).
**Key Documents for desk review**

a. Most recent business plan / strategic plan  
b. Organizational chart  
c. Annual reports  
d. Credit and/or operations manual  
e. Internal audit manual  
f. HR manual, including Code of Ethics or Code of Conduct  
g. Complaints handling policy  
h. Product descriptions  
i. Recent client feedback reports (e.g., satisfaction studies, market research)  
j. Financial statements from last 2-3 years  
k. Recent institutional assessments or rating reports

For an exhaustive list of documents to consult, please refer to the Document and Interviewee Check List under the Conduct an Audit section at www.cerise-spm.org. Users can also refer to the 'Filter by Function' columns in the SPI4 Excel file, in the Questionnaire tab, which summarizes key documents to consult by indicator.
Implementation Phase

Launch the audit with an opening meeting

A PowerPoint presentation can be used to introduce SPM, the Universal Standards and SPI4 – see a sample template under Conduct an Audit section at www.cerise-spm.org

- If a Centralized Approach is used, the meeting will be with top management.
- If Participatory Approach is used, you may want to organize a stakeholders’ workshop and include representatives from the Board, middle management, and field staff.

Fill in the questionnaire

a. In a Self-Assessment, the FSP fills in the questionnaire alone. Usually the process is coordinated by one person (e.g., CEO/managing director, SPM Champion, internal audit, risk), but involves the management team.

b. In an Accompanied Self-Assessment, an external auditor works with the FSP to fill in the questionnaire. The auditor will be involved in gathering documents, interviewing stakeholders, reviewing evidence and working with the FSP focal point to fill in the SPI4 tool.

c. In a Participatory Approach, the auditor conducts interviews with a range of stakeholders (HQ, branch management, field staff, clients, donors, investors, etc.). If the audit generates different opinions, the external auditor must come to his or her own understanding of the FSP based on interviews and data, and generate one final version of the questionnaire (with specific comments on the indicators where consensus was not reached).

d. Focus groups may be organized to gather feedback from staff and/or clients (see here for guidelines on organizing focus groups).

Present preliminary findings

This may take the form of a meeting with top management or a workshop with participating stakeholders, at the end of the field work. This session should aim to provide a high-level overview of findings in terms of strengths and weaknesses by Dimension, but does not necessarily involve presenting scores. The goal of this debriefing session is to open discussion on potential weaknesses and validate the audit findings. It is important to hear from the CEO in this meeting so that the management team knows s/he accepts the results of the audit. Getting this verbal feedback from the CEO in front of management makes the follow up steps easier to implement.

Presenting preliminary findings will help develop common vision for a social performance strategy. The auditor should also use the preliminary findings session to ask management what gaps they would like to prioritize and define a timeline for drafting the action plan. See the Closing Meeting powerpoint template for an example of how to present preliminary findings.
Guidelines for ensuring high quality audits

- **All the indicators must be filled in.**
  
  Graphs will not generate if even one indicator or detail is missing.

- **Scoring in the answers column**
  
  "----" means that no score has been given yet and it does not calculate the indicator (so you do not see the graphs in the dashboards).

- **Answering N/A**
  
  The answer option "not applicable", or N/A, is purposefully limited to only a few indicators, because the Standards are designed to be universal and so most institutions should answer every indicator. The indicators for which N/A is an option are specified under the specific indicators in Section 2 of this Guide. Unless “NO” is really the most appropriate answer, avoid answering “NO” in the place of “N/A”: a "NO" brings zero points, whereas a “N/A” does not penalize the score.

- **Complete the columns entitled “Concrete practices, comments and clarification” to justify the scoring.**
  
  Comments should provide evidence: citing documents (and page numbers), practices or processes observed, or explaining why the indicator doesn’t apply. All indicators evaluated as "partially complete" must also have a comment to explain which portion of the indicator is implemented and which portion is missing.

  Comments are important because (1) they allow people less familiar with the FSP to better understand practices and (2) they allow CERISE to validate the quality of the audit. While not EVERY indicator needs to be commented, auditors must, at the very least, comment all of the ALinus indicators, which are indicated by a bullet point in the far left column of the questionnaire. Auditors must also comment any indicators that raised discussion or debate during the audit. See section 2 of this Guide for indicator-by-indicator guidance on what to include in the comments column.

  The second comments column is for a reviewer. For example, the FSP focal point may fill in the questionnaire and comment the first column, and the external auditor or CERISE may review and comment in the second column. Or, an external audit may first fill in the questionnaire and ask the FSP focal point to review and comment in the second column. Always fill in the name of the person filling in the comments and reviewing, in the cell provided for this purpose just below the words "Concrete practices, comments and clarification"
Future projects

Projects that WILL BE developed in the near future but do not exist should be scored as a “NO”. In the comments section, the auditor can document what the institution has said in terms of the planned date for the implementation of the practice. This helps the FSP understand that the auditor knows it is planned, and to also accept that this still does not count as implemented. If there is documentation, e.g., a strategy document to develop a complaints mechanism, but the mechanism is not yet in place, then it can be scored “PARTIALLY”.

Avoid over-estimating

Auditors must conduct as objective analysis as possible. Overestimating scores can mislead an organization, and discredit the auditor in the event the audit is followed by a more rigorously scored Smart Certification mission or social rating. Artificially boosting scores robs the organization of the opportunity to address gaps and make improvements. Auditors can “soften” the impact of low scores by comparing the organization’s results to benchmarks for its peer group. For example, smaller or younger institutions often lack formalized procedures, and typically score lower on all the dimensions.

Reference to existing documents

If the FSP fills in the questionnaire as a self-assessment and refers to a specific document to justify the answer, the auditor should make sure to consult the document (code of ethics, impact study report, etc.) and provide references / pages in the Column “Practices, comments and clarifications”.

Triangulate evidence for robust analysis

Use different sources of information—documents, interviewees, your own observation—to triangulate evidence. It is not uncommon to read one thing in a policy manual and observe something different at the branch level. Crossing different sources will allow you to provide a coherent analysis that is based on empirical evidence.
Reporting Phase

Disseminate findings

There are three expected outputs in a SPI4 audit:

1. Completed SPI4 questionnaire with graphs.

2. A summary report of results that analyzes strengths and gaps by dimension, prioritizes areas for improvement, and identifies resources for improving practice. CERISE strongly recommends developing an action plan together with the FSP (see Action plan template under the Conduct an Audit section of www.cerise-spm.org to accompany the report. The standard report includes the social dashboard with results for the Universal Standards and Client Protection Certification Standards. Results analysis for optional lenses may also be added.

3. [optional] A personalized analysis comparing the FSP’s SPI score with its peer groups—FSPs in its country, region, of similar size (clients, portfolio), age, operating area (urban, rural, mixed). This can be done by using the benchmark tables available on the Benchmarks section of www.cerise-spm.org, or by contacting CERISE.

Send the completed questionnaire to CERISE (unless not authorized by the FSP).

All results are kept anonymous. Scores are entered into the SPI4 database for peer group comparison. CERISE will never communicate scores without the express written permission of the FSP.

Auditors who are undergoing the auditor qualification process must send the summary report and the completed questionnaire.

AUDITORS MUST GIVE ALL DOCUMENTS TO THE FSP
(QUESTIONNAIRE, PEER GROUP ANALYSIS, SUMMARY REPORT)
After the audit: using SPI results

Assessing practices is the entry point to social performance management. But what really matters is transforming results into action! Here are some ways to ensure that data collected is put to use.

INTERNALLY

Inform the board or management team of results!
The SPI4 audit offers an objective, concise and visual description of the systems in place to achieve an FSP’s social mission, and how the latter affects operational and financial performance. Sharing the SPI4 social dashboard or report with the Board and senior management team is the first step towards making and monitoring improvements.

Define an action plan for balanced management
Identify the priorities to improve social performance and the ways to reach your objectives (processes, systems, products, trainings, etc.). Make sure that priorities and action points are integrated, as much as possible, into the FSP’s business or operational plan.

Build a SPM committee within the FSP
The starting point to ensure continuity of action after the audit is to define who will be in charge of the follow-up, and make it visible within the FSP. A SPM committee formed with the person who coordinated the audit (sometimes referred to as the SPM “champion”), and the key resource persons for implementation (HR department, COO, marketing, etc., with the CEO) can spearhead the SPM project and ensure that the action plan will be implemented and/or integrated into the business plan.

Organize training workshops on how to optimize SPI4 results
Users have found that workshops lead to richer debates, more systematized results and concrete measures for improving social performance. Sharing results widely can help increase understanding, commitment and implementation capacity of social performance practices.
**EXTERNALLY**

**Disseminate!**

Many FSPs leverage SPI4 results in discussions with investment partners and donors. Use the summary results report to publicize your social performance and enhance reporting (annual reports, performance reports or public relations material).

**Report social data**

Increase your visibility and promote social performance in the sector by helping create benchmarks. For this, you can send your SPI4 to CERISE. With your authorization, we will report selected social data to the MIX.

**Write a case study**

Share your good practices and increase your visibility by writing a case study. Contact CERISE for examples of case studies and potential platforms to disseminate your practices: conferences, webinars, e-learning modules on SPI4 and SPM, etc.

**Lobby local authorities**

Raise awareness on social performance, reinforce transparency and promote responsible finance by sharing results and dialoguing with government authorities. Some countries have already started using social performance results to regulate inclusive finance.