Corporate Governance of Microfinance Institutions

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Corporate Governance of Microfinance Institutions
Common Challenges

Board Effectiveness

- No clear division between Board & Mgt
- Focus on Financials; Risk not Systematic
- Unclear on Duties
- Composed of insiders
- Inefficient work procedures
- Dominated discussions
- Board acts as a ‘Paper’ board

Management

RISK MANAGEMENT
- Informal; reactive not proactive
- Static 1/yr process
- Ambiguous definition of risk
- Not linked w/strategy
- Does not lead to actions & No follow-up

INTERNAL CONTROL
- Not formally designed/document
- Only focuses on financial processes
- Not risk-based
- Reliance on technology – false sense of security

INTERNAL AUDIT
- Does not exist
- Does not report directly to the Board
- Lack of in-house skillsets
- Internal audit program not risk-based
- Only focuses on financial processes

EXTERNAL AUDIT
- Not always independent
- Small, local firm w/lack of scalability
- Provision of non-audit services
- Audit not addressing internal controls
- Supplementing Finance Function Duties
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Challenges

- Mission: Social vs. Financial
- Nature
- Foundation/Stage
- Transition

Path

- Boards: Strategic focus; Oversight; Compensation; Skills
- Processes: Controls, Risk, etc.
- Management vs Board
- Succession Planning
THANK YOU

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