

**COURSE  
GUIDE****CRD 203  
COOPERATIVE LEGISLATION**

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Published by:

National Open University of Nigeria

ISBN:

Printed: 2017

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## INTRODUCTION

Cooperative Legislation is a semester course. It will be available to all students towards fulfilling core requirements for an Undergraduate Degree in Cooperative and Rural Development of Department of Entrepreneurship Studies. The course will discuss basic Cooperative Legislation. This course guide tells you briefly what the course is about, what course materials you will be using and how you can work your way through these materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully. It also gives you some guidance on your tutor- marked assignments (TMAs). Detailed information on TMAs is found in the separate assignment file, which will be available to you in due course. There are regular tutorial classes that are linked to the course. You are advised to attend these sessions.

## COURSE AIMS

The aim of the course can be summarized as follows: this course aims to give you an understanding of general principles of Cooperative Legislation.

## COURSE OBJECTIVE

Set out below is the wider objectives of the course as a whole. By meeting these objectives you should have achieved the aims of the course as a whole.

On successful completion of this course, you should be able to:

- define functions and nature of cooperative legislation
- define the history of cooperative legislation in Nigeria
- define registrar of cooperative societies and his/her functions – statutory and non-statutory
- discuss on promotion of cooperative organization
- discuss on registration of cooperative societies
- discuss on provision of model byelaws
- discuss on examination, inquiry, liquidation, arbitration, e.t.c
- discuss on cooperative societies rules – the main features compared to the law, the agents and organs of cooperative societies
- discuss detailed treatment of general meetings, management, committee and board of directors
- discuss on the special role of the secretary
- discuss on the conflicts in the functions of the registrar and suggestions for resolving the conflicts

- discuss on the preparation of bye-laws and their contents
- discuss on bye-laws of other similar self-help organizations (SHOS)
- discuss on the limitation of the present cooperative laws.

## **WORKING THROUGH THIS COURSE**

To complete this course you are required to read the study units, read set books and other materials. At the end of the course is a final examination. The course should take you about 12 weeks or more in total to complete. Below you will find listed all the components of the course, what you have to do and how you should allocate your time to each unit in order to complete the course successfully on time.

## **COURSE MATERIALS**

Major components of the course are:

1. Course guide
2. Study units
3. Textbooks

In addition, you must obtain the set book; these are not provided by NOUN, obtaining them is your own responsibility. You may purchase your own copies. You may contact your tutor if you have problems in obtaining these textbooks.

## **STUDY UNITS**

There are 24 study units in this course as follows

### **Module 1**

- |        |   |
|--------|---|
| Unit 1 | Nature and concept of Cooperative Legislation                               |
| Unit 2 | Historical Antecedents of cooperative legislation in Nigeria                |
| Unit 3 | Cooperative Legislation, Practice and Procedure                             |
| Unit 4 | The Registrar of Cooperatives   |
| Unit 5 | Nature of and Provisions in the Regulations/Rules of Co-operative Societies |
| Unit 6 | Sources of Cooperative Laws in Nigeria                                      |

### **Module 2**

- |        |                             |
|--------|-----------------------------|
| Unit 1 | Registration of Cooperative |
|--------|-----------------------------|

- Unit 2 Functions of Boards of Director in a Co-operative Organization
- Unit 3 Nature of General Meetings in a Co-operative Society
- Unit 4 Nature of a Management Committee in a Co-operative Society
- Unit 5 Roles of Management Committee
- Unit 6 Composition of a Management Committee

### **Module 3**

- Unit 1 Functions of the officials of management committee
- Unit 2 Delegation of Management Committee functions
- Unit 3 Audit Inspection and enquiry committee
- Unit 4 Procedures for Auditor's appointment
- Unit 5 Functions and Powers of Auditors
- Unit 6 Inquiry and inspection of co-operatives

### **Module 4**

- Unit 1 Distribution and uses of Net Surplus in a Co-operative Society
- Unit 2 Dividend Payment and Interest on Shares of Co-operative Societies
- Unit 3 Liquidation of Registered Society
- Unit 4 Appointment of a Liquidator and Powers of a Liquidator
- Unit 5 Arbitration and Cooperative Society
- Unit 6 Public Accountability

The study units if well-read and understood will assist you in passing your exams.

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The Co-operative Societies Act of Kenya (2004) Amended. No 12 of 1997 as Amended in 2004.

Vishnoo, Bhaawan and Vidya Bhushai. Public Administration. S. Chand Higher Academy, pg. 67.

## ASSESSMENT

There are two aspects to the assessments of the course. First are the TMAs, second, there is written examination.

In tackling the assignments, you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal assessment in accordance with the deadlines stated in the presentation schedule and the Assignment file. The work you submit to your tutor for assessment will count for 30% of your total course mark.

At the end of the course you will need to sit for a final written examination for two hours duration. This examination will also count for 70% of your total course mark.

## COURSE MARKING

The following table lays out how the actual course mark allocation is broken down:

ASSESSMENTS	MARKS
Assignments 1 – 4	For assignments best three marks of the four counts at 30% of course marks.
Final examination	70% of overall course marks
<b>Total</b>	<b>100% for course marks.</b>

## FACILITATOR/TUTORS/TUTORIALS

There are 10 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the name and phone numbers of your tutor, as soon as you are allocated a tutorial group.

Do not hesitate to contact your tutor by telephone, email, or during tutorial sessions if you need to. The following might be circumstances in which you would find help necessary. Contact your tutor if:

1. You do not understand any part of the study units or the assigned readings.



2. You have difficulty with the self-assessment exercises.
3. You have a question or problem with an assignment or with your tutor's comments on an assignment or with the grading of an assignment.
4. You should try your best to attend the tutorials. This is the only change you have face to face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course tutorials; prepare a questions list before attending them. You will learn a lot from participating in discussions actively.

## **FINAL EXAMINATION AND GRADING**

The final examination on Co-operative Legislation will be a question paper of 2 1/2 – 3 -hour duration weighing 60% of the total marks as earlier stated. All areas of the course will be examined. As a result, it is very important you read through the whole course material as many times as possible as mere permutation may disappoint you. You might find it useful to review yourself tests, TMA assignments and comments on them before the period of examinations.

### **Final Advice**

Organize how to manage your time. Do everything to stick to it. The major reason many students fail is that they take things for granted and delay in taking decisions, only to be rushing unnecessarily towards exam period. If you get into difficulties with your schedule, do not waste time to let your tutor know before it is too late to help you. When you are confident and satisfied that you have achieved a unit's objectives, you can then move on to the next unit.

Proceed, unit by unit, through the course, pacing your studies and making the whole exercise easy for yourself.

## **SUMMARY**

Do your best to read up all the modules and units of the course in order to gain the most from this course.

Wishing you a happy and enjoyable reading time.



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## MODULE 1

Unit 1	Nature and concept of Cooperative Legislation
Unit 2	Historical Antecedents of cooperative legislation in Nigeria
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### UNIT 1 NATURE AND CONCEPT OF COOPERATIVE LEGISLATION

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1.0	Introduction
2.0	Objectives
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3.4	Principal Legislation
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

#### 1.0 INTRODUCTION

The quality and composition of the Management Committees that are charged with the administration of these co-operative societies are equally important to the stakeholders as their success depends on the ways and manners they are managed through the laid down procedure, rules and regulations and adhere strictly to due process. The need for proper monitoring and evaluation of the financial transactions and business activities of the societies must be stressed at all times. The formation of co-operative societies is not an end in itself but rather a means to an end. Members of the societies should be able to derive certain benefits that are capable of improving the quality of their lives. Good performance of the societies will make members have continued confidence in the activities and leadership of the societies. Members should also be sure that their money/share contributions are safe and are available for use when needed. In the light of this therefore, it is

necessary to, from time to time; assess the performance of the cooperative societies by examining their level of compliance with legal provisions that set them up. There is the need to clarify on these and many more.

## **2.0 OBJECTIVES**

At the end of this unit, learners should be able to:

- discuss nature and concept of cooperative legislation
- know the meaning of cooperative legislation
- examine the cooperative by law
- describe Principal Legislation

## **3.0 MAIN CONTENT**

### **3.1 Nature and concept of Cooperative Legislation**

The unique nature of cooperative business has been recognized by government in different parts of the world and this had necessitated the promulgation of laws unique to it to guide its operation. The word “law” has been defined in various ways by different legal writers but for the purpose of our study we may consider any of these simple definitions. “Law is a body of rules, whether processing from formal enactment or from custom, which a particular state or community recognizes as binding on its subjects or members”. These rules are recognized and acted upon by courts of justice. Again “law consists of a large number of citizens of a particular state or country”. Most laws are based on customs that have evolved over time and proved to be good standards of behavior. It took Great Britain almost two centuries to evolve the cooperative laws under the industrial and provident societies act (Stanley’s Act) of 1852 and amended in 1862. In Nigeria we have been operating within the fundamental provision of cooperative society’s ordinance Act number 6 of 1935 with each region, later states adopting sections to suit their own particulars. It was only in 1993 that we tried to have our first indigenous cooperative laws in form of decree and the states were allowed under section 56 of the decree to provide regulations that will give flesh to the decree. Section 35 of the constitution of Federal Republic of Nigeria 1999, has converted the decree to an act of National Assembly making it operational in a democratic set up.

### **3.2 Meaning of Cooperative Legislation**

By cooperative legislation, we mean the principal and subsidiary legislature drawn from the cooperative principles of the different powers given them in the law or available to the relevant government department in cooperative administration.

It provides the details through which all the general provisions of the principal legislation can be pursued and realized. Thus, the principal legislation cannot be used consistently and effectively without the subsidiary legislation. It contains provisions on power of the general meeting, committees, officers, division of surplus, Annual Supervision Fees (ASF) annual accounts and returns, loan administration, members' welfare and employees.

So far enacted in the country include the cooperative regulations of 1936 meant to service the cooperative society's ordinance of 1935, the different regional cooperative rules (regulations in Northern Nigeria) and the cooperative regulation of the different states meant to service the Decree of 1993 (e.g. the Cooperative regulation of the south eastern states, Nigeria of 2000).

Rules/regulations are made by a government minister or commissioner in charge of operations by using power given to them by law in section 56 of the Nigeria cooperative societies, Act of 1993; they are binding on all cooperatives to which they refer. The minister or commissioner can authorize changes more quickly than the legislation. So, matters which need frequent changes should be contained in the regulation.

The regulations strictly regulate the internal organizations or internal matters of cooperatives as well as the procedural matters on the provisions of the laws and made to regulate the internal administration and external relationships of various types of cooperative societies in a country. It sees also enable the cooperative members to adopt such practices which are suitable for attainment of their objectives using the principles. In most of the developing countries (Nigeria inclusive), cooperative legislation is made up of all the laws, ordinances, Acts, Decrees, Edits, Rules, Regulations as well as the by-laws of respective cooperative societies currently in force in a particular country.

The law, act or decree is passed by legislators or the supreme law making body of a country. It contains the main provisions of the law which are important that, the legislation should decide them after debate.

### **3.3 Principal Legislation**

By principle legislation, we mean those legal enactments made by the law makers of the country toward cooperative administration. These include cooperative ordinance, cooperative laws, cooperative acts or cooperative decrees. Principal legislation in Nigeria cooperatives refers to those cooperative laws that have been in force in Nigeria. First among them is the cooperative societies' ordinance of 1935; which formed the Western, Eastern and Northern Nigeria cooperative society's law of 1953 and 1956 which were regional laws and the current 1993 Nigeria cooperative societies' decree.

Cooperatives, like any other type of enterprise, can only thrive in the legal environment that facilitates their functioning. As an association of persons as well as a business enterprise, it is expedient to create a special legal framework for it, thus taking care of such issues, which the usual company laws do not consider relevant.

Principal legislation deals with such issues as the appointment of director (registrar) and registration of cooperative societies; duties and privileges, as well as property and funds of registered societies; right and liabilities of members. However, it also deals with disputes and settlements, inspection and inquiries. It equally deals with dissolutions of societies, surcharge and attachment as well as division and amalgamation. It deals also with power to make regulations, exemptions, miscellaneous and interpretations.

Although the Decree did not very much deviate conceptually, in spirit and letter from the regional cooperative laws, there are however, some innovations which, standing alone, tend to a great extent, toward de-officialization and modernization of the cooperative law. In all, there are about twenty-six (26) provisions (sections and sub-sections) which are innovations, mainly progressive, but this one takes the totally of the decree. They are not as significant as one would wish for at his time in the country's socio-economic development process.

### **3.4 Subsidiary legislation**

By subsidiary legislation, we mean those legal enactments that were not made by law makers themselves but by delegated authority. The principal legislation will delegate authority to a person, officer or body to make them. They are therefore subsidiary to the principal legislation.



### **3.5 Cooperative Regulations/Rules**

This section refers to those regulations and rules which have subsidiary to the principal legislature (the cooperative law). The regulation usually spells out the step by step approach members can stake in the cooperative exercise.

### **3.6 Cooperative By-laws**

The Nigerian Cooperative Decree of 1993 now referred to as cooperative act of 2004, section II (1) authorizes a registered cooperative society to make by laws for such things as are necessary or desirable for the purpose for which the society is established.

Cooperative, as social and economic organization, needs to regulate the relationship among members and the operations of their business enterprise. Because of this, the members will voluntarily adopt a set of agreements in order to define their relations with one another within the association, their relations with the common undertaking, their rights and duties etc. they are equivalent of the articles and memorandum of association in joint stock companies. The by-laws can be seen to be the step by step application of the subsidiary legislation to specific cooperative organization.

Also the director of the cooperatives requires the registrar of every society to submit a set of their proposed by-laws alongside their application for registration to him for vetting and approval. All future amendments of the by-laws are also approved by him before they take effect. The by-laws contain the chosen name of the cooperative society, their registered address, interpretations, areas of operation, objectives, source of funds, use of funds, general meetings, powers, entrance fees, minimum qualification for membership, withdrawal and termination of membership, composition of the management committee, liability of members, share capital, minimum thrift savings, types of business with details, loan transactions, fines and penalties for wrong doings, organs of the society, qualification and disqualification of committee membership, officers of the society and their function, removal of officer from office, procedure for meetings, affiliation and integration, registers, book and records to be maintained, disposal of surplus resolution of disputes, liquidation and amendments.

## **4.0 CONCLUSION**

In concluding, cooperative laws, rules, regulations and by-laws are used to maintain smooth and legal activities within the cooperative societies.

## **5.0 SUMMARY**

In this unit, we discussed Nature and concept of Cooperative Legislation, Meaning of Cooperative Legislation, Cooperative by law and Principal Legislation.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss Nature and concept of Cooperative Legislation
2. Define Cooperative Legislation
3. Describe Principal Legislation

## **7.0 REFERENCES/FURTHER READINGS**

Aminu Lawal Bara'u (2013). Introduction to Cooperative Legislation. Cyberspace superior international.

## **UNIT 2      HISTORICAL                      ANTECEDENTS                      OF COOPERATIVE LEGISLATION IN NIGERIA**

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- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Historical Antecedents of cooperative legislation in Nigeria
  - 3.2 Pre independents
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  - 3.4 The comparison of Cooperative legislation and various components
  - 3.5 The complimentary of the laws and regulations/rules
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

In this unit we shall focus on Historical Antecedents of cooperative legislation in Nigeria, Pre independents, Post independents, the comparison of Cooperative legislation and various components and the complimentary of the laws and regulations/rules

### **2.0 OBJECTIVES**

At the end of this unit, learners should be able to:

- discuss the historical Antecedents of cooperative legislation in Nigeria
- describe Pre independents
- explain Post independents
- differentiate the comparison of Cooperative legislation and various components
- identify the complimentary of the laws and regulations/rules

### **3.0 MAIN CONTENT**

#### **3.1 Historical Antecedents of Cooperative Legislature**

##### **Historical Antecedents of Cooperative Legislation in Nigeria**

The same power as found in the earlier cooperative laws in India, Ceylon, gold coast (Ghana) etc. were transferred to the Nigeria registrar of cooperatives societies in the 1935 ordinance and subsequent thereof Nigeria cooperative were therefore from day one formally officialized.

There wide powers of the registrar were envisaged in the report of F.A. Strickland who though that the “registrar and his staff must take the initiative and exercise control over the movement in a degree quite unsuitable to the conditions of an advanced and education population.

Even if Strickland had not recommended these wide powers, the government white paper would have provided for them since the colonial government was obviously following a common policy in its Afro-Asian colonies. The 1935 ordinance was a national law and applicable to the then British trust territory of the Cameroons. In 1946, the British colonial office published a model cooperative societies rules/regulation and suit them to the various colonial governments to serve as guidelines for future cooperative legislation.

#### **3.2 Pre-independents**

The first cooperative law in Nigeria was passed in 1935 as the cooperative societies ordinance No 39 while the rules followed in 1936. Both applied to the whole country, the colony and protectorate of Nigeria. The law was assented for the first time by the king of England. This law was largely modeled on the India act of 1912. It was first amended in 1938 and again in 1945, and completely revised in 1948 to conform with the British secretary of state’s circular dispatched in 1946, which laid the framework for the cooperative laws of all the British territories.

In 1952, the country was divided into three (3) regions, the North, the East and West. Cooperative was made a regional subject. East region had to enact its own cooperative law; the Western regional cooperative law came first in 1953, followed by the North and the East in 1956. The Federal territory of Lagos made its own law in 1958.

### 3.3 Post-independents

The mid-western region created in 1963, adopted the Western cooperative law. When states were created from 1967 onwards, each state adopted the pre-existing law of its region with minor modifications. When Lagos took over the responsibilities of cooperative matters, for Lagos, it adopted the 1958 law formerly applicable to the Federal territory of Lagos leaving a state of vacuum at the federal level. The views of conference of registrars of cooperative societies and the movement were considered by the conference of commissioners responsible for cooperative matters throughout the federation. They recommended the established of cooperative divisions at the federal level if the pace of cooperative development in the country was to be accelerated to meet the aspiration of the federal government and the yearnings of the movement. In February 1974, the cooperative development decree No5 was promulgated for the establishment of a cooperative development division. In the federal ministry of labour the decree also empowered the appointment of a federal registrar of cooperative societies and his supporting staff.

In 1976, the cooperative and social development (transfer of functions) decree No.28 of 1976, effective 1st July 1976, was promulgated, transferring the functions of the cooperative development division from the federal ministry of labour into the newly created federal ministry of cooperative and supply section (2) C of the decree No 5 of 1976 to include “registration” and “supervision” of national cooperative societies as a result of rapid economic and social development in the country pertaining to cooperative and the need for the establishment of cooperative societies with national character.

In August 1977, the federal commissioner for cooperative and supply, Alhaji Umar A. Mutallab, set up a panel to review and unify Nigeria cooperative societies laws and regulation with J.T Caxton Idowu as chairman. The panel made use of existing laws (state laws and decree of 1974) as a model in promulgating the Nigeria cooperative societies decree No 90 of 1993.

However, this can only be put into use as part of the decree 56 (1) empowers the minister or the commissioner responsible for matters relating to cooperative societies to make all such regulations as may be necessary for the purpose of carrying out or giving effect to the provisions of the decree. It was at this point that General Ibrahim Babangida, at the tail end of his military rule decided to sign a draft into a decree, No 90 of 1993. Being a federal law, it automatically superseded all other laws for cooperative societies in Nigeria:

Meanwhile, in a joint conference of directors of cooperation, presidents and secretaries of cooperative federations in the South-East of Nigeria held in Enugu in 1997, it was resolved to fashion out common “regulation” or the geopolitical zone. This came into effect in the year 2000.

### **3.4 The comparison of Cooperative Legislation and Various Components**

#### **3.4.1 DISTINCTION AMONG**

- A. The “Cooperative Law”
- B. The “Cooperative Societies Regulation or Rules”
- C. By-Laws “Articles of Association
- D. Other Relevant Laws

Cooperative laws are laws which give legal recognition to cooperatives and regulate their activities. Cooperative laws deal with the business interest of person, who as members of the societies have business and legal relationship with each other through the cooperative and the interest of any other person (natural or artificial) who has legal and business relationship with the cooperative through its servant and legal representatives.

On the other hand, rules/regulations are subsidiary legislation for the purpose of carrying out or giving effect to the principles and provisions of the law. It is to provide in detail certain matters which the law itself searches on the surface and lay down the procedure on certain issues.

Cooperative by-laws is the application and translation of the subsidiary to a specific cooperative society. The by-laws must reflect the general spirit of the cooperative law, with certain provisions of law finding their application in them.

### **3.5 The Complimentary of the Laws and Regulations/Rules**

The Nigerian Cooperative Societies Decree (NCSD) has provisions on disputes and arbitration, the law only defines arbitration, lists the possible causes of, and parties to dispute arbitration and provides for appeals thereof, the law does not rule in detail the actual procedure for arbitration. Nevertheless, the rule on the other hand, specifically and in detail, tells us:

- a) Who can apply for arbitration to the registrar

- b) The mode of application for the declaration of dispute to the registrar
- c) The prohibition of legal practitioner to be involved in the cooperative disputes.
- d) The number of appointment of arbitration
- e) The appointment of chairman of the arbitration panel
- f) The proceeding of the arbitration
- g) How to go about an appeal, awards, arbitration etc.

#### **4.0 CONCLUSION**

The history of cooperative in Nigeria is an eye opener because there is a saying which says “in order to have a perfect understanding of something it is necessary to check history” so for a cooperative society to have a solid foundation it is necessary to check the history of cooperative within the geographical location.

#### **5.0 SUMMARY**

In this unit we discussed the historical Antecedents of cooperative legislation in Nigeria, Pre-independents, Post independent, the comparison of Cooperative legislation and various components and we also identified the complimentary of the laws and regulations/rules

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss the historical Antecedents of cooperative legislation in Nigeria briefly
2. Describe Pre independents
3. Explain Post independents

#### **7.0 REFERENCES/FURTHER READINGS**

Aminu Lawal Bara’u (2013). Introduction to Cooperative Legislation. Cyberspace superior international.

## **UNIT 3 COOPERATIVE LEGISLATION, PRACTICE AND PROCEDURE**

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    - 3.2.2 Determination of Organisation
    - 3.2.3 Determination of Personnel
    - 3.2.4 Determination of Rules of Procedure
    - 3.2.5 Determination of Grant of Funds
    - 3.2.6 Legislative Supervision
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

The several branches into which the problem of administration is divided, that having to do with general administration i.e. the Legislature, is the most important one. In modern times, the legislature as the representative body of the people has become the source of all authority regarding administration. It means that the prime responsibility and authority of making fundamental decisions in respect to location and exercise of the general functions of direction, supervision and control of administration rests with the legislature. The direction, supervision and control are the functions of the legislature. It need hardly be said that the efficient exercise of these functions is the problem of general administration. It consists of determining where the responsibility for the exercise of these functions shall be vested and the means that shall be employed by the agency or agencies to which it is entrusted.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- identify the differences between direction, supervision & control and execution;
- list and explain the functions of legislature.



### **3.0 MAIN CONTENT**

#### **3.1 Differences between Direction, Supervision & Control and Execution**

The function of direction, supervision and control differs from the functions of execution. The word execution means the actual carrying out of the orders. It simply consists of putting into execution what has been ordered. This distinction between direction, supervision and control on the one hand and execution on the other, is of vital importance because as said above the former is the function of legislature while the latter is the function of executive. A distinction here should also be made between executive power and administrative power. Generally, the two words „executive“ and „administrative“ are interchangeably used but this is wrong. To put it in the words of Willoughby, “The executive power, or rather function is that of representing the government as a whole and of seeing that all of its laws are properly complied with by its several parts. The administrative function is that of actually administering the law as declared by the legislative, and interpreted by the judicial branch of the government. This distinction is usually made by declaring the executive function to be essentially political in character, that is one involving the exercise of judgment in its use; and the administrative function to be as concerned with the putting into effect of policies and carrying out of orders as determined or given by other organs”.

In small undertakings, these distinctions are not of much importance because here it is quite possible for the same person to exercise both the functions of direction, supervision and control and also execution. In all large undertakings, however, the distinction is of great importance because here the two functions are not only to be clearly distinguished but their performance also must be vested in different bodies. In business concerns, the Board of Directors elected by shareholders performs the first function. It frames rules and regulations, plans the project and organizes its functions. The Board of Directors have an important place in business establishments. Its instructions are followed by its officials and every major step is taken on the direction. Their order is the law for the officials of the establishments. Since the legislature in public administration performs the same functions as are performed by the Board of Directors in a business establishment, therefore, the Legislature is called the Board of Directors. The Chief Executive is called General Manager because his functions are similar to the functions performed by a General Manager of a private undertaking.

## 3.2 Functions of Legislature

The Legislature sitting as a board of directors performs numerous functions. *Firstly*, it determines the activities to be undertaken. *Secondly*, it has to decide the nature of organisation necessary for carrying out the activities. *Thirdly*, it has to determine the personnel that would be required for the organisation. *Fourthly*, it determines the rules of procedure to be employed by the organisation. *Fifthly*, it provides for funds, which it shall make available to the organisation for carrying out the activities. *Sixthly*, it has to design a system for supervising and controlling the organisation so that the work may be done efficiently. A brief description of each of these functions is given below.

### 3.2.1 Determination of the Activities to be Undertaken

As regards the first function, there can be little doubt that the determination of what the government shall do is a responsibility that rests upon the legislature. The policy to be adopted by the government both in the internal and external field is set out by the legislature. But it does not mean that it should lay down all the details of a policy, the specific acts which shall be performed in carrying out the policy. Better it would be if it prescribes the policy in general terms and leaves the details to the executive. To illustrate, it may lay down that compulsory primary education should be enforced in the country, but it should not go to the length of prescribing the places where schools will be established. It should leave that judgement to the executive. The legislature is a body of politicians representing particular territories or interests. They are interested primarily in their particular territories. The executive represents and is interested in the entire territory and government of the State. Its judgement is bound to be better in regard to details than that of the legislature because the former being in close touch with administration is in a better position to understand its needs. Moreover, the legislature will not be unnecessarily burdened with the task of specifying the details. If the legislature goes into details, it denies the initiative to the executive and thereby may impair the efficiency of administration. Too great legislature itemization renders it impossible for the chief executive to make the most effective utilization of the organisation and personnel and to meet exigencies that are only fully developed during the progress of the work. The legislature should feel contented with the determination of the general programme and should be interested in its efficient execution. Beyond this, it should proceed conservatively, and its further specification should be directory rather than mandatory upon the chief executive.

### 3.2.2 Determination of Organisation

“Organisation is the medium through which individuals work as a group as effectively as each would work alone. It consists of the relationships of individuals and of groups to groups, which are so related as to bring about an orderly division of labour”. Generally speaking, organisation is divided into departments, business units, divisions and sections. In addition to these units there are certain units called field stations. These field stations are created in the services where the work of the service is done not only at the headquarters of the government but also in field stations all over the country, e.g. post offices, railway stations, law courts, etc. Now the question here at issue is the point at which it is advisable that the legislature should stop in determining not only the departments but shall be created for the performance of administrative duties, but also the internal organisations of these departments. Concretely, in the words of Willoughby the problem is,

“Shall the legislature leave the whole matter of organisation to the chief executive as general manager? Shall it determine organisation, in so far as the primary units of organisation, the departments, independent boards or commissions, etc., are concerned, leaving it to such bodies acting under the general control of the chief executive to provide for the character of internal organisation of those services? Or shall it push its determination still further so as definitely to prescribe by law, not only the departmental and bureau organisation, but also the sub-division of these divisions, and the final working units, the sections and field stations?”

In practice, there is no uniformity among the various States on this point. In U.S.A., the numbers of character of the administrative departments that shall be set up for the handling of departments are created by the Executive decree. In India, the power of establishing new departments rests with the President acting through the Prime Minister. In so far as the units of the lower order, i.e., divisions, sections and field stations are concerned, the discretion in India is left in the hands of the ministers acting through their heads of departments. But in all these countries, the legislature has from time to time created new agencies in the form of departments, corporations, boards or commissions to carry on a particular activity. Thus in India, the Life Insurance Corporation, Railway Board, the State Electricity Board, Public Service Commission have been created by the legislature. That in doing so it has been guided largely by the advice of its general manager, the chief executive, is quite true, but the act of determination has been the act of the legislature and these agencies have a legislative status in the sense that their existence has been determined by statutory law. In Nigeria, the power for establishing new department is vested in the legislature. Also, in

Nigeria, cooperative societies have been brought into existence by Act of Parliament.

As to what should be the true principle, it may be said that it is desirable that the legislature should content itself with making only the most general provision regarding the organisation of an agency and leave the details of internal organisation to be determined by the chief executive because he is the person who is responsible for running the administration. The legislature cannot handle this matter in as intelligent a manner as those directly responsible for the conduct of the affairs. Secondly, if legislature determines the organisation it gives rigidity to it. Thirdly, it imposes upon an already overburdened legislature the responsibilities of which it should be relieved. Therefore, the chief executive should be given the necessary powers to shape the administrative units according to the requirements of administration.

### **3.2.3 Determination of Personnel**

Personnel are the body of persons who actually run the administration. It may be of two types – directing personnel, that is, those who are responsible for direction of services and are commonly called officers, and employees proper, that is, those occupying subordinate positions and having as their general duties the carrying out of orders given to them. It is generally accepted with regard to the former class that the legislature should itself determine their “number, character, compensation, powers and duties”. In respect of this class the only question is how deep into the organisation of the several services this determination shall go. Now all the arguments that have been given against the legislature seeking to control organisation under the preceding subheading also equally apply to the creation by law of officers to have charge of subordinate units of organisation.

As regards the second class of employees, the legislature may determine their conditions of service either by a general statute or by an act of appropriation. Willoughby is of the opinion that it is not wise to control personnel other than directing personnel, by the first method. Any attempt to prescribe limitations upon subordinate personnel in this manner gives rise to a rigidity that is sure in many cases to work injury. The Act which provides for the setting up of a service, after providing for the directing personnel may provide “for such other officers and employees as may be from time to time provided by law”. This will leave sufficient discretion to the legislature to determine each year the provision that shall be made for the subordinate personnel of a service at the time of granting appropriations for that service.

### **3.2.4 Determination of Rules of Procedure**

Rules of procedure may be of two types: (1) Those which affect the interests or rights outside of service; and (2) those which have to do with purely administrative operations within the service. The example of the former is the rules setting forth the procedure to be followed in assessing and collecting income-tax or land revenue, in the grant of copyrights, trademarks, etc. These are matters affecting personal and property rights of the people in a most direct manner. The examples of the latter are the rules for the disbursement of pay to the members of the service. Now as regards the former it is desirable that the legislature should pass a statute to give them legal sanction. The question as to whether these rules should be embodied in the Acts of the legislature or promulgated by cabinet or the head of the department involves a consideration of the question of the delegation of legislative powers which lies outside the scope of our study. The advantage of having these rules embodied in the statutes lies in the fact that they are drafted by the persons directly familiar with the conditions and problems of the department.

As regards the second category of rules of procedure, it is better to leave wide discretion to the services concerned. The legislature should exercise control over them through a proper system of accounts, reports, audit and the like.

### **3.2.5 Determination of Grant of Funds**

In all the countries the legislature determines the amount of money which is to be made available for expenditure to the executive. All the public services are to be paid from public funds for their work. If no money is made available, the entire administration would come to a standstill. Therefore, it is the duty of the legislature to find out the needs of every department and make provision of money accordingly.

### **3.2.6 Legislative Supervision**

Since the legislature is the source of all administrative authority and makes money available for carrying out the administration it is desirable that all grants of authority should be accompanied by means for ensuring that such grants are properly exercised. In other words, it may be said that the legislature should provide the means by which it shall be able to exercise due supervision and control over its agents. To see that these agents perform their duties properly is an imperative duty of the legislature.

Willoughby mentions the following means through which supervision and control may be exercised and accountability enforced:

- (i) the requirement that all administrative officers shall keep proper records of their official acts;
- (ii) the requirement that these officers shall submit reports at least once a year giving an account of their act;
- (iii) the requirement that accurate accounts shall be kept of all financial transactions and reports of such transactions shall be made in such form that full information regarding their character is furnished;
- (iv) provision for a system of examination and audit of these accounts;
- (v) provision for the consideration by the legislative bodies, acting directly or indirectly, the administrative and financial reports with a view to determining not merely the legality of the action taken, but also the efficiency and economy with which official duties have been informed;
- (vi) the requirement that administrative officers shall furnish information regarding acts done by them when called upon to do so by the legislature;
- (vii) provision for special investigations or inquiries of a comprehensive character of the manner in which affairs have been conducted by a particular service or services.

Thus, from the above description, it is clear that the legislature instead of directly running the administration or determining in too detailed a manner the activities, agencies, organisation, plant and personnel should give its directions in general terms and provide that the officers charged with their execution shall furnish it with detailed data regarding their action. It is of greatest importance that the system of accounting, reporting and audit that will correctly and fully furnish the legislature with precise information regarding the acts of all administrative officers should be made perfect. In the words of John Stuart Mill.

“Instead of the function of governing which it is radically unfit for, the proper of office of a representative assembly is to watch and control the governance; to throw the light of publicity on its acts; to compel a full exposition and justification of all of them which anyone considers questionable; to censure them if found condemnable, and, if the men who compose the government abuse their trust, or fulfill it in a manner which conflicts with the deliberate sense of the nation, to expel them from office, and either expressly or virtually appoint their successors”.

#### **4.0 CONCLUSION**

In concluding, it should be noted that the prime responsibility and authority of making fundamental decisions in respect to location and

exercise of the general functions of direction, supervision and control of administration rests with the legislature.

## **5.0 SUMMARY**

In this unit, we have identified and discussed the differences between direction, supervision & control and execution. We have also listed and explained the functions of legislature.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Itemize and discuss the functions of legislature in the direction, supervision and control of establishments.

## **7.0 REFERENCES/FURTHER READINGS**

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## UNIT 4 THE REGISTRAR OF COOPERATIVES

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Registrar of Cooperatives
  - 3.2 Registers
  - 3.3 Returns to the Registrar of Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References and Further Readings

### 1.0 INTRODUCTION

This unit will discuss about the Registrar of Cooperatives, Registers and Returns to the Registrar of Cooperatives.

### 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- describe cooperative registry and the dti
- state the registers in a registered society;
- list the returns to be submitted to the registrar of cooperatives

### 3.0 MAIN CONTENT

#### 3.1 The Registrar of Cooperative Societies and His/Her Function – Statutory and Non-Statutory

**The Registrar:** The Provincial Government] may appoint a person to be Registrar of Co-operative Societies for the Province] or any portion of it, and may appoint a person or persons to assist such Registrar, and may, by general or special order, confer on any such person or persons all or any of the powers of a Registrar under this Act.

**Power of Registrar to issue search warrant** – For the purpose of recovering any papers, documents or books of account belonging to a society, the Registrar may issue a search warrant and exercise all such powers with respect thereto as may be lawfully exercised by a Magistrate under the Provisions of Chapter VII of the Code of Criminal



Procedure, 1898, and all such searches shall be made in accordance with the Provisions of that Code.

The powers under sub-section (1) shall not be exercised by the Registrar before serving a notice on the society and giving it a reasonable opportunity to produce such papers, documents or books of account as are specified in such notice.

In addition to recording transactions, a company registrar must also keep registers of certain aspects of its constitution. Again, these requirements are designed to facilitate publicity and to regulate conduct of the company affairs.

To make inspection of the registrar reasonably easy for persons who are entitled to have access to them, the company must keep them at specified places and, in order to remove difficulties that arose in the past over inspection, the Companies Act 1989 inserts s. 723A into the 1985 Act removing many of the previous details which were provided, and giving the Secretary of State wide powers to make discretionary rules by statutory instrument.

The statutory registers (with the relevant sections) are:

- the register of members;
- the register of members' interests in shares and debentures of the company;
- the register of charges;
- minutes of general meetings of the society;
- the register of written resolutions.

The requirements as to the form in which accounting records are kept also apply to the registered society. Societies with debentures issued nearly always keep a register of debenture-holders, but there is no statutory compulsion to do so (despite recommendations that there should be) should be kept at the Cooperative Office.

### **3.1.1 Register of Members**

The detailed procedure surrounding the register of members is dealt with in the cooperative bye-law. This is because entry in the register of members is the fundamental means by which a person becomes a member of a registered society.

### **3.1.2 Register of Charges**

The register of charges is also dealt with elsewhere, in the chapter on loan capital. The register must contain details of charges affecting the company property or undertaking, and should provide brief descriptions of property charged, the amount of the charge and the name of the person entitled to the charge. An officer who details with respect to this register is liable to a fine. Any person may inspect the charges register; members and creditors may inspect free of charge.

In addition to keeping a register of charges, a company must also keep copies of every instrument creating a charge at its registered office: s. 411. Any member or creditor may inspect the copies and register without a fee; others may inspect the register for such a fee as may be prescribed. Refusal of these rights may lead to a fine and the court has a right to compel inspection or to direct that a copy be sent: s. 412.

## **3.2 Returns to the Registrar of Companies**

Returns must be made to the Director of Cooperatives by a registered society.

Throughout this text it is evident that the Registrar of Companies must be informed of many other occurrences, such as alteration of the company articles.

## **4.0 CONCLUSION**

A number of statutory requirements have been examined, all of which are designed to ensure that corporate bodies (especially limited liability companies) are open to public enquiry where this is in the public interest. This is achieved primarily by the requirement to notify the Registrar of certain important transactions; and the requirement to file with the Registrar annual audited accounts and the annual returns.

## **5.0 SUMMARY**

In this unit, we have discussed:

- the registers in a registered society;
- returns to be submitted to the Registrar of Cooperatives;
- the position of auditor in a registered society.

## **6.0 TUTOR MARKED ASSIGNMENT**

1. Briefly define and describe accountability as it relates to a registered society.
2. List and explain the contents of accounting records of a registered society.

## **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 5      NATURE OF AND PROVISIONS IN THE REGULATIONS/RULES OF CO-OPERATIVE SOCIETIES**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Registration of co-operative societies
  - 3.2 Privileges of Registered societies
  - 3.3 Rights and Liabilities of Co-operative members
  - 3.4 Duties of co-operative societies
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

The activities of the co-operative societies need to be properly guided and monitored to ensure that the set objectives are achieved. Usually, the regulations/rules guiding the activities of these societies are clearly stated in the societies' bye-laws. These bye-laws (often referred to as the societies' constitutions) are normally documented and copies given to members at the point of entry into the society. Issues bordering on registration of members, ownership structure, business activities, general meetings, board membership, sanctions/fines, and resignation of members, dividend payment, and shareholding capacities and so on are stated in the regulations/rules of the societies. It is therefore considered very important that members know the rules/regulations guiding the activities of the co-operative societies so that members are duly informed about the running of these societies. It is in the light of this that the learners need to be put through some lessons on the nature of and the provisions in the regulations/rules governing the conduct of co-operative societies in Nigeria.

### **2.0 OBJECTIVES**

At the end of this unit, learners should be able to:

- identify the regulations/rules guiding the activities of the co-operative societies;
- know the privileges of registered co-operative members;
- assess the rights and liabilities of co-operative society members as stipulated in the by-laws;

- examine the duties of co-operative society members.

### **3.0 MAIN CONTENT**

#### **3.1 Registration of Co-operative Societies**

According to the Co-operative Societies (Amended) Act (2004) in Kenya, a society has the following as its objects:

- a) The promotion of the welfare and economic interests of its members, and
- b) Has incorporated in its by-laws the following co-operative principles:
  - i) Voluntary and open membership
  - ii) Democratic member control
  - iii) Economic participation by members
  - iv) Autonomy and independence
  - v) Education, training and information
  - vi) Co-operation among co-operatives, and
  - vii) Concern for the community in general

A society, under this act, may be registered by the Commissioner as a cooperative society with or without limited liability.

#### **3.2 Privileges of Registered Societies**

Upon registration, every society shall become a body corporate by the name under which it is registered, with perpetual succession and a common seal and with power to hold movable and immovable property of every description to enter into contracts, to sue and be sued and to do all things necessary for the purpose of, or in accordance with, its by – laws.

The by-laws of a co-operative society, shall when registered, bind the society and the members thereof to the same extent as if they were signed by each member and contained covenants on the part of each member for himself and his personal representatives to observe all the provisions of the by-laws.

#### **3.3 Rights and Liabilities of Members**

The rules and regulations guiding the activities of the members of the cooperative societies are clearly stated the Act establishing such societies.

For instance, in accordance with provision of the Kenya's Co-operative Societies Act (amended) 2004, some of the rights and limitations of members are stated as follows:

- i) A person, other than a co-operative society, shall not be qualified for membership of a co-operative society unless:-
  - a) He has attained the age of eighteen years,
  - b) His employment, occupation or profession falls within the category or description of those for which the co-operative society is formed; and
  - c) He is resident within, or occupies land within, the society's area of operation as described in the relevant by-law
- ii) No member, other than a co-operative society, shall hold more than one-fifth of the issued and paid-up share capital of any co-operative society
- iii) No company incorporated or registered under the Companies Act, or no unincorporated body of persons shall be entitled to become a member of a cooperative society, except with a written authorization through a resolution by a general meeting of that co-operative society.
- iv) No member of a co-operative society shall exercise any of the rights of a member unless he has made such payment to the society in respect of membership, or has acquired such interest in the society as may be prescribed under this Act or under the by-laws of the society
- v) No person shall be a member of more than one co-operative society with unlimited liability and ,no person shall be a member of more than one cooperative society having the same or similar object; provided that a person who;
  - i) is a member of a co-operative society ,and
  - ii) carries on business on land or at premises outside the area of operation of that co-operative society; may be a member of a co-operative society in whose area of operation that land or those premises are situated, notwithstanding that its objects are the same as or similar those of the first-mentioned society
- vi) Each member of a co-operative society shall have one vote only in the affairs of the society, irrespective of the number of shares he holds. Provided that a co-operative society which is a member of any registered society shall have as many votes as may be prescribed by the by-laws of the cooperative society of which it is a member, and may, subject to such by-laws, appoint any number of its committee members, not exceeding the number of such votes, to exercise its voting power.
- vii) A member of a co-operative society shall have the right to:

- a) Attend and participate in decision making at all general meetings of the society and vote;
  - b) Be elected to organs of the society, subject to its by-laws;
  - c) Enjoy the use of all facilities and services of the society subject to the society's by-laws;
  - d) All legitimate information relating to the society, including: internal regulations, registers, minutes of general meetings, supervisory committee reports, annual accounts, inventories and investigation reports, at the society's head office
- viii) A member of a co-operative society shall have the obligation to:
- a) Observe and comply with all the society by-laws and decisions taken by the relevant organs of the co-operative society in accordance with the by-laws of the society;
  - b) Buy and pay up for shares or make any other payments provided for in the by-laws of the society;
  - c) Meet the debts of the society in case of bankruptcy in accordance with the provisions of this Act and the by-laws of the society.

### **3.4 Duties of Co-operative societies**

- a) Every co-operative society shall have a registered address to which notices and communications may be sent and shall send to the Commissioner notice of every change of address within one month of the change.
- b) Every co-operative society shall keep a copy of this Act and of the rules/regulations made there-under and of its own by-laws and a list of its members (excluding details of nominees and shareholdings) at its registered office and shall keep them open for inspection by any person, free of charge, at all reasonable times during business hours.
- c) For each financial year, the committee of a co-operative society shall cause to be prepared estimates of the society's income and expenditure including recurrent and capital estimates for approval by the general meeting at least three months before the end of the preceding financial year.

## **4.0 CONCLUSION**

In this unit, the learners have been put the various regulations/rules guiding the conduct of co-operative societies in Nigeria. The relevance of these regulations/rules to the attainment of the co-operative objectives was properly discussed. The level of compliance of these societies with the provisions of the regulations/rules was equally explained. It is hoped that after this lesson learners will be properly informed about the nature

of and the provisions of the regulations/rules as applied to co-operative societies in Nigeria

## **5.0 SUMMARY**

The nature of and provisions in the regulations/rules governing the internal organization of co-operative societies has been explained. Adequate information on the content of this unit is expected to provide sufficient knowledge on the basic guidelines governing the conduct of the co-operative societies in Nigeria.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Clearly explain the nature of and the provision of the regulations/rules guiding the conduct of the internal organization of the co-operative societies in Nigeria.

## **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 6 SOURCES OF COOPERATIVE LAWS IN NIGERIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Meaning of the term „Source“
    - 3.1.1 Classes of Sources of Law
    - 3.1.2 Formal Source
    - 3.1.3 Material Source
    - 3.1.4 Authoritative and Binding Source
    - 3.1.5 Other Source
  - 3.2 Theories of Sources of Law
    - 3.2.1 Consensus Theory
    - 3.2.2 Conflict Theory
    - 3.2.3 Other Theory
  - 3.3 Autochthonism
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References and Further Readings

### **1.0 INTRODUCTION**

We are beginning to look into the Sources of Law. It is perhaps important to distinguish Sources of Laws from Sources of Law. When we look at law as a series rather than as a system, we may refer to Source of Law, which may include sources within and outside the law properly so called.

In this unit, we are concerned with a legal system and our focus is on legal Sources of Law. We shall look into some theories, some of which appear to ally with Social Contract Theory or Marxism as the case may be. Autochthonism will receive some attention so as to evaluate how home grown or alien our Sources are and the essence, if any, of change.

### **2.0 OBJECTIVES**

At the end of the unit, you should be able to:

- understand the meaning of terms used,
- enumerate the classes, and the theories of sources as well as

- explain the autochthony of law.

### **3.0 MAIN CONTENT**

#### **3.1 Meaning of the term “Source”**

The term “Source(s)” (also termed *fons juris*) may mean the origin and authoritative statement from which the substance of the law is derived. It may also be described as: “something (such as a Constitution, Treaty, Statute, or Custom) that provides authority for legislation and for judicial decisions. A source of law is the point of origin for law or legal analysis.

You may have observed lawyers in Court, when they make statements and refer the Court to particular decided cases, the Law Reports where such cases can be found, to some Act or Statute and pointing to a particular chapter, part or section. We say that the Law Reports and the Statute or Act so cited are sources of his authoritative statements or law. In literature of jurisprudence, the problem of “Source(s)” relates to the question: Where does the Judge obtain the rules by which to decide cases? In our present context: Where do we obtain the law we have been talking about – the law constituted in the Nigerian Legal System?

In this sense of the sources of law, Fullers (cited in Elias (1963) listed the following: statutes, judicial precedents, custom, the opinion of experts, morality and equity. Fuller probably was concerned with “Sources of Laws” rather than Sources of Law – where the law generally draws not only its content, but also its force.

In the context of legal research, the term “Sources” connotes:

- (i) the origin of legal concepts and ideas;
- (ii) governmental institutions that formulate legal rules;
- (iii) published manifestation of the law.

##### **3.1.1 Classes of Sources of Law**

Sources of Law may be classified into formal or material, and the latter further subdivided into historical, legal, authoritative and binding, or other sources.

##### **3.1.2 Formal Source**

- A formal source is what gives validity to the law.

- Upon what authority is the National Open University of Nigeria established?
- Upon an Act of the National Assembly,
- Who gave the National Assembly authority to legislate?
- The Constitution,
- Where does the Constitution derive its power?
- The general will and power of the people of Nigeria.
- This is the Ultimate Source. Thus, the formal source of law may be traced to the “common consciousness” of the people, or the “Divine Will”.

### **3.1.3 Material Source**

Here, we are not concerned with the basis of validity as we did in our discussion of “formal source” of law. We are concerned here with the origin of the substance of the law – Where the law derives from or the authoritative source from which the substance of the law has been drawn. This may be:

#### **(i) Historical**

This may comprise the writings of lawyers, e.g. the rules and principles of foreign law. The writings do not form part of the local law until they are formally received or enacted into law. Prior thereto, they serve as persuasive authority.

#### **(ii) Legal**

These are sources that are recognized as such by law itself. Examples are Statutes, Judicial Precedents and Customary Law.

### **3.1.4 Authoritative and Binding Source**

This refers to the origin of the legal rules and principles, which are being enacted or formulated and regarded as authoritative and binding.

Examples are legislations (Received law and Local statutes), judicial precedents (Common law and Equity; and local precedents) and Customs (Customary law).

### **3.1.5 Other Source**

These are non-formal sources or origin of legal rules that lack authority, but are persuasive merely.

Professor Elias considered the “Source of Law” in terms of the mainspring of its authority and classified this into six categories, namely:

- (i) Local Laws and custom;
- (ii) English Common law, the doctrines of English Equity and Statutes of general applications in force in England on 1st January, 1900;
- (iii) Local legislation, and the interpretations based thereupon;
- (iv) Law Reports;
- (v) Textbooks and Monographs on Nigerian Law;
- (vi) Judicial Precedents.

There is no hard and fast rule on classification of Source. What is of essence is knowing or identifying the sources themselves and the theories that have been proffered.

### **3.2 Theories of Sources of Law**

Legal writers have proffered sources of law, which may neatly be discussed under three headings, namely:

- (i) Consensus Theory
- (ii) Conflict Theory
- (iii) Other Theory (Middle Course)

#### **3.2.1 Consensus Theory**

This theory conceives of a legal system as a product of consensus idea of society, functioning as an integrated structure, whose members agree on the norms, rules, and values, which they have mutually and voluntarily agreed should be uniformly respected.

In Nigeria, sovereignty and supremacy reside on people, not their ruler and these people are represented by the members of the House of Assembly, House of Representatives and the Senate, who make laws on their behalf.

In the traditional chiefly and chiefless societies, the monarch and chiefs declare what the law has always been from time immemorial, and where they are in doubt, they consult The Qur’an, The Holy Bible, or the Oracle.

### 3.2.2 Conflict Theory

The conflict theory is to the effect that the society is made up of series of conflicting and competing groups, and law and legal system is a dictate of the wealthy and powerful in the society to perpetuate their positions and class interests.

Whether the lawmakers are wealthy or go into lawmaking in order to acquire wealth or get wealthier is arguable.

However, there is freedom of expression at the floor of the Houses and immunity from liability from what goes on there. Dictates of wealth or power, does not therefore appear real or apparent in passing of bills into law.

### 3.2.3 Other Theory (Middle Course)

There is a middle course between Consensus theory and Conflict theory. This middle of the road approach argues that Legal system is the handiwork of those exercising political and legal powers of state, not necessarily to protect their own class interests, but expressing the definition of the privileged group, their values, notions and morals.

## 3.3 Autochthonism

Legal Theorists have raised further argument of how much of our laws and their sources are autochthonous. Autochthonism or autochthony pertains to the nativity of the law. That is to say, the extent to which the law is or is not indigenous or native to the land in which it operates. Are the sources of Nigerian law indigenous (autochthony) or foreign (alien)? An autochthonous legislation, for example, may be one which does not trace its validity to any foreign legislature; rather, it is home-grown and rooted in the country itself. Autochthony has two aspects:

- (i) **Formal Autochthony:** This relates to the “Source(s)” from which the law or the Court, derives its authority as law.
- (ii) **Substantive Autochthony:** This refers to the contents of the legislation or law e.g. the frame of government which the Constitution has established.

### Autochthony envisages

- (i) a new birth, some kind of break in legal continuity;
- (ii) enactment by virtue of an authority, native to it or inherent in the local enacting body.

Exponents of Africanism have extended these requisites to include attempts to refashion their Constitution and to reflect authentically the African traditional ideas of government and powers.

Researchers in cooperative legislation and law think that a break in legal continuity is a prerequisite to making a Constitution (or any law) if it is to be credited with fully autochthonous source. The essence of the break is to remove the semblance of having been made in any way under authority of the Metropolitan power.

Professor Robsin has expressed a contrary view, emphasizing that what is of much more importance is the continuous acceptance of the Constitution (or law) by the people subject to it.

Let us examine the autochthony of our Constitution for an illustration:

The Preamble to the Independence Constitution, 1960 states:

“The Queen’s Most Excellent Majesty-in-Council, Her Majesty, by virtue and in exercise of powers in that behalf by the Foreign Jurisdiction Act, 1890 (a) or otherwise in Her Majesty vested, is pleased by and with the advice of Her Privy Council, to order, and it is hereby ordered as follows:

- (i) “This order may be cited as the Nigeria (Constitution) Order in Council, 1960”.

Upon Attainment of Independence, both Nigeria and the United Kingdom renounced the metropolitan power to make laws for the new Independent State of Nigeria which thereafter became vested with powers, however limited to amend, replace, the Imposed Constitution and other laws.

The Preamble for 1963 Constitution provides:

“Having firmly resolved to establish the federal Republic of Nigeria ..... We, the people of Nigeria, by our representatives here in Parliament assembled, do hereby declare, enact and give to ourselves the following Constitution .....

This Constitution, 1960 metamorphosed into the Federal Republic of Nigeria (FRN) Constitutions 1963, 1979 and 1999 with some amendments.

## SELF-ASSESSMENT EXERCISE

1. Account for the autochthony of the Nigerian Constitution.
2. Compare the enactment of the Constitution of Nigeria and of Eire: What difference do you observe?

Let us consider some examples from other jurisdictions.

Dr. de Valera's government of Eire, 1937 prepared a draft Constitution, and presented to the Parliament for approval, he submitted the draft Constitution to the people in a plebiscite, which adopted it. Further example can be found in *Papua New Guinea*.

## 4.0 CONCLUSION

You learnt the sources of law in Nigeria. You also learnt the meaning of the term „Source“, then its classification as well as the theories behind it and the extent to which the classes are home-grown or alien.

## 5.0 SUMMARY

In this unit, we have tried to examine the term: “the sources of law” rather than “sources of laws”. The theories relating to sources range from consensus to conflict and middle of the road approach. These have been discussed. It is an open question whether the sources of our Constitution and laws are autochthonous (home-grown) or alien.

Contemporary writers including Professor Nwabueze have contended that the importance of legal autochthony relates more to the contents of the law rather than the origin of the Constitution (or any law) or substantive autochthony.

The argument for legal autochthony tends to excite nationalistic sentiments and perhaps pride. Legal autochthony is not to be desired for its own sake. Rather it is to be seen as a means of effecting changes in the Constitution (or any law).

## 6.0 TUTOR MARKED ASSIGNMENT

Give an account of the difficulties met with in attempting to formulate a satisfactory classification of laws.

## **7.0 REFERENCES AND FURTHER READINGS**

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## MODULE 2

Unit 1	Registration of Cooperative
Unit 2	Functions of Boards of Director in a Co-operative Organization
Unit 3	Nature of General Meetings in a Co-operative Society
Unit 4	Nature of a Management Committee in a Co-operative Society
Unit 5	Roles of Management Committee
Unit 6	Composition of a Management Committee

### UNIT 1 REGISTRATION OF COOPERATIVE

#### CONTENTS

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2.0	Objectives
3.0	Main Content
3.1	Appointment of Federal Director of Cooperative or State Director of Cooperative
3.2	Qualification of Director
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#### 1.0 INTRODUCTION

In this unit, you will learn about the criteria for the appointment of a Federal or State Director of Cooperatives and the qualification of the Director. We shall also discuss the types of societies which may register and the conditions for their registration with the cooperative society.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- know the criteria for the appointment of a federal or state director of cooperatives;
- highlight or state the qualifications required for a director to be appointed;
- list the discuss the types of societies that may register as cooperatives;
- enumerate the conditions for non-registration as cooperative societies;
- understand the effect of registration as a cooperative society.

## **3.0 MAIN CONTENT**

### **3.1 Appointment of Federal Director of Cooperative or State Director of Cooperative**

Section (1) of the Cooperative Societies Act of 1993 provides that: “The President, Commander-in-Chief of the Armed Forces may:

- (a) appoint a person to be a Federal Director of Cooperatives;
- (b) appoint persons to assist him;
- (c) by notice in the Gazette confer all or any of the powers of a Director under this Decree on any such person.

Subsection 2 of the Decree also stipulates that the Governor of a State may appoint a person to be the Director of Cooperatives in the State and may appoint persons to assist him and shall by or notice in the State Gazette, confer on any such person all or any of the powers of a Director under the Act.

### **3.2 Qualification of Director**

To be qualified as a Director of Cooperatives, a person must possess the following qualifications:

1. must be of sound mind;
2. must not be a bankrupt;
3. should not be an ex-convict.

### **3.3 Functions of a Director**

The following are the functions of a Director Cooperative:

- (a) Regulation and Supervision of the registration and management, supervision and widening up of cooperative societies;
- (b) The establishment and maintenance of cooperative societies;
- (c) He arranges and conducts investigation into the affairs of any cooperative society registered by it;
- (d) He performs other functions as may be specified by the Cooperative Societies Act of 1993;
- (e) He undertakes any other activities as may be relevant to the execution of the provisions of the Act.

### **3.4 Cooperative Society: Definition**

Cooperative society is an association of person who have voluntarily joined together to achieve a common end and through the formation of democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate. Once registered, a cooperative society becomes a legal person. A legal person is an entity which the law regards as having rights and duties. Generally, law recognizes two distinct categories of persons, namely:

- (i) Natural person;
- (ii) Artificial person.

Cooperative societies are artificial entities which the law regards as existing once the procedure for their establishment has been complied.

#### **3.4.1 Types of Cooperative Society**

There are two types of corporation:

- (a) Corporation Sole
- (b) Corporation Aggregate

##### **(a) Corporation Sole**

This is a legal person representing an official position. The post which is usually occupied by series of successive human beings has the General Overseer of a Church, the Vice Chancellor of a University, the Oba, the Obi, Emir or Eze of a Town.

##### **(b) Corporation Aggregate**

This is also a legal person formed by a group of people for the purpose of carrying on certain activities, especially trading for profit. They are

simply known as companies. They usually have more members i.e. limited liability companies.

The cooperative law equally divides cooperative societies into the following:

- (i) Primary Cooperative Society;
- (ii) Secondary Cooperative Organisation;
- (iii) Central Financing Society;
- (iv) Central Society; and
- (v) Apex Cooperative Society

### **1. Primary Cooperative Society**

This is a cooperative organisation whose membership is made up of at least ten persons. It is the commonest type of cooperative society as it can be found all over the state including the urban and rural areas.

It is formed by people with common interest either as residents of a particular area, or trader in a particular commodity etc. It must have at least ten (10) persons and such persons must have individually satisfied the provision of Section 24, which state expressly that “*no person must be a member of more than one registered society whose primary objective is to grant loans to its members, except such a person has been given prior consent to do so by the registered society concerned*”.

### **2. Secondary Cooperative Organisation**

This refers to a cooperative organisation whose membership is made up of primary cooperative societies.

Each of the above type of cooperative societies can either have its liability limited or unlimited, but in practice, one will find out that most cooperative societies are limited liability.

### **3. Central Financing Society**

This is a registered society of which the principal object is to make loans available to other registered societies.

### **4. Central Society**

This is a registered society established to facilitate the operations of registered societies in accordance with cooperative principles and includes a central financing society. However, this type of society can

only be registered under the Cooperative Law if it has at least two registered societies as its members.

## **5. Apex Cooperative Society**

This is a cooperative organisation whose membership is made up of secondary cooperative societies.

Cooperative societies may either be limited or unlimited.

- (a) Limited Company or Cooperative Society
- (b) Unlimited Liability Company

### **(a) Limited Company or Cooperative Society**

A limited company or cooperative societies may be limited by shares or limited by guarantee.

- (i) *Limited by Shares* – this means that the liability of members is limited by the Memorandum to the amount of unpaid shares.
- (ii) *Company or Cooperative Society Limited by Guarantee* – this means that the members' liability is limited by the Memorandum to the amount which the members may respectively undertake to contribute to the assets of the company or society in the event of winding up or liquidation.

Generally, a company limited by guarantee shall not be incorporated for the object of carrying on business of profit to be distributed to members. All charitable companies or associations are registered as companies limited by guarantee and cannot have share capital.

### **(b) Unlimited Liability Company**

There is no limit to the amount of liability which members can incur in the event of liquidation. Members have to contribute, if possible from various other sources to pay for the debt of the company or cooperative society.

## **3.4.2 Features of the Cooperative Society under the Cooperative Law Decree 90 of 1993**

The features are as follows:

- (a) It established a Cooperative Societies Decree herein after referred to as Nigeria Cooperative Society Decree of 1993 Section 1;

- (b) As for the formation of the Cooperative Society under the Decree, any ten (10) persons or more may form a primary society, Section 22;
- (c) Under the Decree, a society may be registered as an industrial society or as a primary or secondary society;
- (d) A society may be registered as a cooperative society under the Decree if:
  - (i) It is a limited liability society, and
  - (ii) It has as its objects the promotion of the socio-economic interests of its members in accordance with the cooperative principles or established for the purpose of facilitating the operations of those societies.
- (e) The Cooperative Society Decree also seemed to have abolished the age long rule in *Foss v. Harbottle* (1843) 2 K.B461 which states that where a wrong had been done to the cooperative society or in a case of irregularity in its operations, the proper plaintiff should be the company.

### **3.5 Formation of a Cooperative Society**

Promotion of a cooperative society is like the promotion of a company which is usually undertaken by a person who takes necessary steps and makes necessary arrangement towards incorporation or registration.

Such steps may also involve engaging the services of professionals such as Accountant and Lawyers who are one of the promoters in the real sense of it. 53

#### **3.5.1 Duties of Promoters of Cooperative Societies**

The duties of promoters of cooperative societies are as follows:

- (a) He decides on the name, the object, address and liabilities of members;
- (b) He prepares the cooperative society bye-laws;
- (c) He forward the cooperative society name, bye-laws for registration;
- (d) He registers the cooperative society with its bye-laws.

### **3.6 Registration of a Cooperative Society**

To be qualified for registration as a cooperative society, the association must be limited liability society and has at its objects the promotion of the socio-economic interest of its members which must be in accordance

with the cooperative principles. The purpose of its establishment must also be to facilitate the operation of these principles.

A cooperative society is registered where all necessary forms have been filled and lodged with the Director of Cooperative Society. It is also accompanied by the document such as the proposed bye-laws of the society as prescribed by the Director. Registered office (not post office box) and the declaration of compliance with the provision of the Nigerian Cooperative Societies Decree 90 of 1993.

The Director of Cooperative Societies, upon being satisfied, issues a Certificate. The duties of the Director of Cooperative Societies are merely administrative. The Cooperative Societies commence business immediately the society is registered.

Section 5 (1) of the Cooperative Societies Laws of Nigeria states that: “If the Director is satisfied that a society has complied with the provision of Sections 3 and 4 of the Decree and that its proposed bye-laws are not contrary to the provisions of the Law, he shall register the society and the bye-laws”.

Section 5 (2) states that “If the Director refuses to register a society, the society may, within 60 days from the date of the notification to it by the Director of his refusal to register the society, appeal against the refusal to the Minister or Commissioner as the case may be”.

Section 5 (3) states that “*The Director shall within 60 days dispose of an application for registration by a society*”.

### **3.7 Conditions for Non-Registration of a Cooperative Society**

According to Sections 3 and 4 of the Cooperative Society Laws of the Federation, the Director of Cooperative shall register the society except and unless in his opinion:

- (a) It does not comply with the provisions of the Decree;
- (b) The business which the cooperative society is to carry on or the objects for which it is formed or any of them are illegal;
- (c) There is non-compliance with the requirements of any other law as to registration of cooperative societies;
- (d) The proposed name conflicts with or is likely to conflict with the provisions of the Cooperative Society Decree, 1993.

### **3.8 Consequence of Registration**

According to Section 6 (1), upon Registration of a Cooperative Society and its bye-laws, the Director of Cooperative shall certify under its seal as follows:

- (a) As a body corporate by the name under which it is registered;
- (b) Has perpetual succession and a common seal;
- (c) Have powers to hold movable and immovable property;
- (d) Enter into contract;
- (e) Have power to institute and defend suits and other legal proceedings, and
- (f) Do all things necessary for the purpose of its constitution.

### **3.9 The Certificate of Registration**

According to Section 7 of the Cooperative Society Laws of 1993, the Certificate of Registration signed, sealed and delivered by the Director of Cooperative shall be conclusive evidence that the society mentioned in the Certificate is duly registered. This means that all requirements of this Decree in respect of registration and of matters precedent and incidental to it have been complied with. As from the date of registration mentioned on the Certificate of Registration of the Cooperative Society, the society becomes a body corporate.

### **3.10 Effects of Registration**

Upon registration, the cooperative society becomes a corporate body and legal personality with the following characteristics:

It assumes a separate existence distinct from that of its founder. It becomes a legal personality according to the doctrine in *Salomon v. Salomon* (1897) AC 22 (HC). Also in *Lee v. Lee* (1961) 6 AC 12. Lee established and incorporated a flying school for trainee pilots. The company had a share capital of 300 out of which Lee had 299. Lee later died in a crash. His widow claimed compensation from the company. It was held that she was entitled to the claim because late Lee and Lee's air Farming Limited were separate and distinct legal person.

- (a) The society assumes perpetual succession. It can never die except liquidated through the statutorily laid down procedure of winding up.
- (b) There is transfer and transmission of shares or interest.
- (c) It can hold, own or dispose of properties.
- (d) It can borrow or lend out money in its own name.
- (e) As a juristic personality, it can sue and be sued in its own name.



## 4.0 CONCLUSION

Although the cooperative society is a legal entity and separate from its founders as enunciated in *Salomon v. Salomon* and *Lee v. Lee's Air Farming Limited*, it invariably conducts its affairs through the instrumentality of the agency of a natural person. These natural persons are elected from members of the society and their actions bind the society.

## 5.0 SUMMARY

In this unit, you learnt:

- the appointment of Directors by the Federal or State Government;
- the functions and powers of the Directors;
- Registration of cooperative societies;
- the conditions to be fulfilled before registration of cooperative societies and the effect of registration on cooperative societies.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Discuss the conditions for registration of cooperative societies.
2. Mention and explain two types of cooperative societies.

## 7.0 REFERENCES/FURTHER READINGS

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## **UNIT 2      FUNCTIONS OF BOARDS OF DIRECTOR IN A CO-OPERATIVE ORGANIZATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Qualifications of a Director
  - 3.2 Functions of a Director
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

The constitution of the board of directors is very important in the management of co-operative societies. The guidelines for the selection of the board members are usually stipulated in the bye laws governing the conduct of the societies.

The selection process needs to be properly followed so that qualified board members can emerge for the society. The boards of directors again have stipulated functions to be performed so as to meet the set objectives of the society. In this unit therefore, we shall be examining the guidelines for the selection of the board of directors. Emphasis is however placed on the functions of the directors in the management of co-operative societies in Nigeria.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- understand the guidelines for the selection of board of directors of the cooperative societies
- know the various functions of the board of directors of the management of cooperative societies as stipulated by the bye-laws of the societies.

### **3.0 MAIN CONTENT**

#### **3.1 Qualifications of a Director**

For effective management, a co-operative society must follow some guidelines in selecting directors. The following are some of the important qualifications to consider:

##### **Director should**

- i. Believe in, invest in, and patronize the co-operative;
- ii. Be willing to take the time necessary to attend and participate in all board meetings;
- iii. Be qualified to make decisions in the overall interest of the organization;
- iv. Work well with others as a team and support majority decisions;
- v. Neither expect nor promote special favours for himself, relatives or friends;
- vi. Not discuss with outsiders confidential matters brought up in board meeting;
- vii. Not be influenced by religious, political or other issues unrelated to the business of the co-operatives;
- viii. Be progressive in developing new ideas that will contribute to the success of the organization;
- xi. Willingly submit such ideas for consideration for the collective progress of his society

#### **3.2 Functions of a Director**

The functions of Directors are normally set out in the association's bye-laws.

In addition the following functions are particularly important:

- a. Become familiar with the articles of incorporation and bye-laws of the cooperative and conduct the business in accordance with their provisions;
- b. Retain a legal adviser who is familiar with co-operative laws for legal advice as needed;
- c. Hire a competent manager, determine his salary and outline his duties and authority. The board should give special consideration to the following items when selecting a manager:
  - i. Age and physical condition
  - ii. Business experience, integrity and an understanding of the necessary record keeping in a co-operative

- iii. Ability to work with people and to select and train employees
- iv. Ability to plan ahead and co-ordinate operations
- v. A general understanding of co-operatives and their objectives
- vi. Determination to follow co-operative principles
  - d. Adopt policies for the guidance of the manager and make them a part of the minutes. They should include such items as credit to patrons, source and limits of supply inventories, general personnel regulations, etc.
- e. Require written monthly financial reports and operating statements for board meetings in order to be informed of adverse as well as favourable operations.
- f. Direct the manager to prepare before the close of each year an operating budget for the next fiscal year for the approval of the board. This budget should estimate the volume of sales and gross income of various items to be handled, the expenses by account clarifications, and the expected net income. This constitutes forward planning on the part of the board and management. The budget should be viewed at intervals throughout the year to determine the trends of the business. Explanations should be found for serious deviations from the budget.
- g. Attend regular and special meetings of the board. At times, it may be desirable for boards to devote a part of their meeting to an executive session where only board members are present to permit a completely free discussion.
- h. Understand the terms of all contracts into which the co-operative has entered by authority of the board-leases, loan agreements, supply and other contracts, etc.
- i. Be sure that any projected expansion programme is definitely needed and that provision is made for adequate financing before giving final approval.
- j. The board should maintain an active interest in the amount and condition of inventories and make such inspections as conditions warrant.
- k. Employ a qualified auditor to make an independent audit at regular intervals of at least once each year and report directly to the board.
- l. Board members should not act independently on matters which should be decided by the entire board.

#### **4.0 CONCLUSION**

In this unit, learners were taken through explanations on the functions of the board of directors of co-operative societies. This discussion was anchored on the provision of the bye-laws. Deep understanding of these

functions will enable the learners know the various functions expected of the board of directors of the co-operative societies.

## **5.0 SUMMARY**

In-depth information was provided on the guidelines for selecting directors of management boards of co-operative societies. The various functions of the directors as stated by the association's bye laws were fully discussed. Learners may also know other information such as the process of conducting a board of directors meetings.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Explain the guidelines for the selection of directors.
2. List and fully discuss at least six (6) functions of the board of directors of cooperative societies.

## **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 3 NATURE OF GENERAL MEETINGS IN A CO-OPERATIVE SOCIETY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Quorum of a General Meeting
  - 3.2 Powers of Annual General Meeting
  - 3.3 Voting in General Meeting
  - 3.4 Length and service of notice for calling General Meeting
  - 3.5 Minutes of General Meeting
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

Without any prejudice to the provisions of the Delhi Co-operative Societies Rule 1973, every co-operative society is expected to hold a meeting of its general body which shall be styled 'Annual General Meeting' at the intervals and in accordance with the provisions specified below:-

- a) the first annual general meeting shall be held within eighteen months of its registration.
- b) the next annual general meeting shall be held by the society within six months of 15th April following the expiry of the co-operative year in which the first, annual general meeting was held and thereafter an annual general meeting shall be held within six months after 15th April following the expiry of each co-operative year. (Amended on 18.5.89)
- c) except in the case where in the exercise of his power under section 29, the Registrar has extended the time for holding the annual general meeting by any co-operative society, not more than fifteen months shall lapse between the date of one annual general meeting and that of the next.
- (d) where a managing committee of the society fails to hold the general body meeting within the prescribed time limit referred to above, the Registrar, shall call a general body meeting of the society to transact the business as provided under section 29 and the expenditure incurred thereon shall be a charge on the delinquent members of the committee of the society who have failed to conduct the general body meeting of the society within

the prescribed time limit. The said amount shall be recoverable as arrears of land revenue from such delinquent members of the committee of the society by the Registrar. (Added on 6.8.97).

A requisition for a special general meeting to be convened under section 30 shall state the object of the meeting time and date of the meeting, and shall be signed by the members or the Registrar, as the case may be, and shall be sent to the registered office of the society.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- be able to understand the how quorum is formed for general meetings
- appreciate the powers of annual general meetings
- understand how voting is conducted at general meetings
- understand the length and service of notice for calling general meetings
- understand the relevance and contents of the minutes of general meetings.

## **3.0 MAIN CONTENT**

### **3.1 Quorum of a General Meeting**

- a. Notwithstanding anything contained in the bye-laws, the quorum for a general meeting shall be one third of the total number of members subsisting as such on the date of notice of the meeting subject to a minimum of ten members.
- b. No business shall be transacted at any general meeting unless there is a quorum at a time where the business of the meeting is due to commerce.
- c. If within one hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned for half an hour on the same day, which should be specified in the notice calling the meeting, but if the meeting is called upon the requisition of the members of the society (not the Registrar) it shall stand dissolved.  
(Amended on 6.8.97). Provided that at the adjourned meeting, no quorum shall be necessary.
- d. If at any time during the meeting sufficient number of members is not present to form a quorum, the Chairman/President of the meeting, on his own motion or on his attention being drawn to this fact, shall adjourn the meeting at such convenient time. Date

and place as he thinks fit. And the business to be transacted at the adjourned meeting shall be transacted in the usual manner even if no quorum is there present.

### **3.2 Powers of Annual General Meeting**

1. Without prejudice to the provisions of section 29, the general meeting alone shall have the power to transact the following business:-
  - (a) Fixing the maximum credit limit of a co-operative society subject to the approval of the Registrar.
  - (b) Election, suspension and removal of members of the committee other than the nominated members. Provided that an interim vacancy of the committee may be filled up by Co-option by the remaining member of the committee till the election is held.
  - (c) Expulsion of the members.

### **3.3 Voting In General Meeting**

1. A resolution which is put to the vote of a general meeting shall be decided by a show of hand unless (whether before or after the declaration of the result of the show of hands) a poll is demanded by at least ten members and agreed by the Chairman and if no poll is demanded, a declaration by the Chairman of such meeting that a resolution has been carried or lost and an entry to that effect in the minutes of the proceedings shall, for the purposes of the Act, be conclusive proof of the fact that such resolution has been duly carried or lost but. It shall not be proof of the number or proportion of the votes recorded in favour of or against such resolution.
2. If a poll is demanded, the votes shall be taken in such manner and at such time as the Chairman of the meeting directs subject to any provision in the bye-laws in this behalf, and the result of such poll shall be deemed to be the decision regarding the resolution over which the poll is demanded.
3. Subject to the Rules and the bye-laws, when a poll is taken the\* voting may be by ballot, if the Chairman of the meeting so decides.
4. When a poll is taken the number of members voting for or against a resolution shall be recorded in the minutes of the proceedings.

### **3.4 Length and service of notice for calling General Meeting**

1. Annual general meeting of a co-operative society may be called by giving not less than 14 days' notice in writing.



2. Special general meeting of a co-operative society may be called by giving not less than seven days' notice in writing.
3. Notwithstanding anything contained in the bye-laws, when a general meeting is called under the proviso to sub section (1) of section 29, or in pursuance of sub-section (2) of section 30, the Registrar may determine the period of notice for such meeting, the time and place of the meeting and the subject to be considered thereat. Registrar may preside over such meeting or authorize any person to so preside.
4. Notice of every general meeting of a co-operative society shall be given to every member of the society either personally or by sending it by post to him at his registered address in the Union Territory of Delhi, or if he has no registered address in Delhi to the address if any out of Delhi supplied by him to the society for giving notices to him. Where the notice is sent by post, service thereof shall be deemed to be effected after the expiry of forty-eight hours after the letter containing the notice is posted by properly addressing, prepaying and posting it, provided that where a member has intimated to the society in advance that notice of a general meeting should be sent to him by registered post with or without acknowledgement due and has deposited or has given under taking to deposit with the society a sum sufficient to defray the expenses of doing so, the service of the notice shall not be deemed to be effected unless it is sent by registered post.
5. The accidental omission in the opinion of the Registrar to give notice or a non-receipt of notice by any member shall not invalidate the proceedings at the general meeting.
6. The notice of an annual general meeting shall be accompanied by a copy each of audited balance-sheet profit and loss account together with the audit report thereon relating to the preceding year and the report of the committee (Amended on 24.5.82)

### **3.5 Minutes of General Meeting**

1. Every co-operative society shall cause minutes of proceedings of general meetings to be entered in a book kept for that purpose.
2. Unless the minutes are drawn up and are duly signed by the Chairman immediately on the termination of the meeting, the minutes free from all alterations or corrections, shall be drawn up and shall be signed by the Chairman of the meeting within four working days from the time when the meeting terminated, the minutes so signed shall be evidence of the proceeding of the meeting. (Amended on 24.5.82)

3. Until the contrary is proved, every general meeting of a society in respect of the proceedings whereof minutes have been so recorded shall be deemed to have been duly called and held.

#### **4.0 CONCLUSION**

Different areas of interest bordering on quorum of a general meeting, powers of annual general meeting, voting in general meeting, length and services of notice for calling general meetings and minutes of general meetings have been carefully discussed. Special reference has been made to the provision of the Delhi Co-operative Societies Rule, 1973. The provision has a global application and acceptability particularly in the developing economies.

#### **5.0 SUMMARY**

This unit has treated very germane topics on General Meetings in co-operative societies. Information so acquired is expected to be of immense benefits to the learners, particularly in the management of the co-operatives.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss the powers of annual general meetings.
2. Explain the voting process at general meetings.

#### **7.0 REFERENCES/FURTHER READINGS**

The Delhi Co-operative Societies Rule (1973): Management of Co-operative Societies.

Owolabi, N.B. and Badmus, M.A. (2003): *Nigeria Business and Cooperative Law*. Printants Limited.

Sofowora, M.O. (1999): *General Principle of Business and Cooperative Law*. Soff Associates. p115.

## **UNIT 4 NATURE OF A MANAGEMENT COMMITTEE IN A CO-OPERATIVE SOCIETY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Meetings of the Management Committee
  - 3.2 Suppression of Committee
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

Good management is essential to a successful co-operative society as it enables the society achieve the set objectives. However, quite often, Management committees are put in place to, on behalf of the society, undergo certain responsibilities. Members of these committees are usually people of proven integrity (people of impeccable characters). They are usually professionals in their chosen careers and therefore believed to be able to handle responsibilities for the societies with assured success. This unit therefore makes special reference to the Delhi Co-operative Societies Rule, 1973 for fuller discussions.

### **2.0 OBJECTIVES**

At the end of the unit, you should be able to:

- understand the relevance of management committee in the running of co-operatives
- explain what could lead to the suppression of management committee

### **3.0 MAIN CONTENT**

#### **3.1 Meetings of the Management Committee.**

1. A committee of a co-operative society shall exercise all the powers of the society, discharge all the duties as may be specified in its byelaws by means of resolutions passed at its meetings. No resolution shall be passed by circulation.

2. A committee shall meet as often as required but a meeting shall be held at least once in every month, in case of Primary Societies and one in three months in case of Federal Societies and Financing Bank provided that where the committee fails to hold meeting for 3 consecutive months in case of primary Coop. Societies and 9 months in case of Federal Societies and Financing Bank, the Registrar may appoint the Election Officer for conducting the Election of the managing committee of such Primary Society, Federal society or Financing bank (Amended on 24.5.82).
3. Notice of every meeting shall be given to every member of the committee in writing under the signature of the President or Secretary at least 5 days prior to the scheduled date to meeting which must be served either personally or by post under certificate of posting. Where the notice is sent by post services thereof shall be deemed to be effective after the expiry of 48 hours after the letter containing the notice is posted properly, addressing, prepaying, posting it. Provided that where a member has initiated to the society in advance that notice of a committee meeting should be sent to him by Registered post with or without acknowledgement due and has deposited or had given undertaking to deposit with the society a sum sufficient to defray the expenses of doing so, the service of notice shall not be deemed to be effective unless it is sent by Registered Post. However, in case of an emergent meeting, the service of such notice of the emergent meeting must be ensured at least 24 hours before the scheduled date and time of the meeting. (Amended on S.9.88)
4. If a member of the committee of a society fails to attend its three mandatory meetings (monthly)/ (quarterly) consecutively, he shall be given notice of it by registered post and shall be deemed to have vacated his office and from that date shall cease to be a member of the committee, the vacancy shall be filled by co-option by other members of the committee. (Amended on 6.8.97)
5. Notwithstanding anything contained in the bye-laws of any cooperative society, the committee of a co-operative society shall cause minutes of all proceedings of its meeting to be entered in the book for the purpose in handwritten at the spot in presence of members present and voting. The minutes of each meeting shall contain the names of the members present, names of the members, if any, dissenting from or not concurring in and of its religion. At the end of the minutes each member present and voting shall sign them. If the minutes are not made and recorded

in this manner they shall not be considered valid and under such circumstances, it shall be presumed that no meeting was held. Provided that in case of urban cooperative banks, urban thrift and credit societies and co-operative federations, the proceeding shall be signed by the Chairman of the meeting and shall be confirmed in the next meeting of the committee. (Amended on 6.8.97)

6. Notwithstanding anything contained in the bye-laws of the cooperative society, the quorum for a committee shall be one third of the total number of the members of committee subject to a minimum of three. (Amended on 6.8.97)

### **3.2 Suppression of Committee**

1. The notice to show cause why the committee of a co-operative society shall not be removed under section 32 shall contain the grounds on which the proposed action is contemplated and shall be addressed to the Chairman/President of the society and sent to him at his last known address, if any, or at the registered address of the society by registered post. The service of the notice shall be complete as soon as the letter containing this notice is posted.
2. As soon as the Registrar under section 32 makes the order removing the committee. All the members of the committee shall be deemed to have vacated their respective offices from the date of the order and shall hand over charge of the assets and liabilities and record of the society to a person appointed by the registrar or to the Administrator appointed by him.

### **4.0 CONCLUSION**

In this unit, learners were taken through discussions on the meetings of the management committees and the causes of suppression of committee.

Information so gained enables the learners know the key roles that management committees play in co-operative affairs.

### **5.0 SUMMARY**

Management committees are very important in the running of co-operatives.

Members of the committee undertake series of responsibilities on behalf of the society thereby reducing bureaucracy and time wastage.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Explain the importance of the management committee in co-operatives.
2. Identify ways of suppression of Committee.

## **7.0 REFERENCES/FURTHER READINGS**

Akinwumi, J.A. (1988): Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

Ihimodu ,I.I. (1988):Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria

Owolabi, N.B. and Badmus, M.A. (2003): *Nigeria Business and Cooperative Law*. Printants Limited.

## UNIT 5 ROLES OF MANAGEMENT COMMITTEE

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Management Committee
  - 3.2 Roles of Management Committee
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

The management committee constitutes a very vital organ in the policy formulation and direction of registered societies generally. Such is the powers and statute of the committee that the general meeting cannot overturn the acts of the committee provided they are within the powers delegated to them.

Further, the committee is restricted also by the rules of the society as spelt out by the bye-laws of the co-operative. This is because any act done or purportedly done by the committee which is outside the powers of the society is said to violate the *ultra vires* doctrine as it applies to registered societies.

### 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the term ‘management committee’.
- identify and discuss the roles of management committee of co-operative societies.

### 3.0 MAIN CONTENT

#### 3.1 The Management Committees

Management committee/board members have ultimate responsibility for directing the activity of the organization, ensuring it is well run and delivering the outcomes for which it has been set up. Every management committee/board should provide leadership to the society by:

- Setting the strategic direction to guide and direct the activities of the organization;
- Ensuring the effective management of the organization and its activities; and
- Monitoring the activities of the organization to ensure they are in keeping with the founding principles, objects and values.

### **3.2 Roles of Management Committee**

Management committee members carry out a vital role on behalf of the cooperative society. Their role is not necessarily about doing, it is about ensuring things are done. Usually, the day-to-day management of the organization will be delegated to paid staff or to volunteers, although the management committees of smaller organizations are often much more actively involved. The management committee is the group of people who are held accountable for the activities of the co-operative. It is the ultimate decision-making forum. Management Committees are also frequently referred to as Boards of Trustees, Governing Bodies, or Executive Committees.

The Management Committee plays an important role in the organization as both leaders and decision-makers. The overall responsibilities of the committee are summarized below:

#### **a. Vision and Leadership**

The management committee ensures that everything the society does supports its vision, purpose and aims. They establish the fundamental values, the ethical principles and strategic direction in which the cooperative operates.

#### **b. Accountability**

The Management Committee must account for everything the organization does, including its spending and other activities. The Committee is accountable to the membership of the society and other stakeholders such as funders and donors.

The Committee monitor's and evaluates all areas of the society's performance.

#### **c. Keeping it Legal**

The Management Committee ensures compliance with all relevant legal and regulatory requirements and seeks guidance around any



uncertainties. Everything the Committee and the society do must also be in line with the provisions of the bye-laws.

#### **d. Financial Oversight**

The Management Committee ensures that all money, property and resources are properly used, managed and accounted for. In order to be accountable, suitable systems must be in place and kept up to date.

#### **e. Managing Staff and Volunteers**

In societies that employ staff, the Management Committee is essentially the employer. They must ensure that appropriate policies are in place for staff and for volunteers, and that both are properly managed and supported. The management Committee, usually represented by the Chairperson, also directly line manages the most senior staff member.

### **4.0 CONCLUSION**

This unit discussed the concept of management committee and roles of management committees in co-operative societies. Effective performance of the committee will help to ensure high level of efficiency and robust management portfolio for the co-operatives.

### **5.0 SUMMARY**

Management committees play vital roles in the running of co-operative societies as they are usually charged with the responsibilities of carrying out certain obligations on behalf of the society. Good committee performance enables the society to achieve the set objectives as provided in the bye-laws.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. What do you understand by 'Management Committee'?
2. List and discuss the roles of Management Committee in the running of the affairs of co-operative societies.

### **7.0 REFERENCES/FURTHER READINGS**

Akinwumi, J.A. (1988): Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

DIY Committee Guide (2005): Roles of the Management Committee. London.

Ihimodu, I.I. (1988):Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria.

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## **UNIT 6      COMPOSITION      OF      A      MANAGEMENT COMMITTEE**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Composition of a Management Committee
    - 3.1.1 The Chairperson
    - 3.1.2 The Secretary
    - 3.1.3 The Treasurer
    - 3.1.4 The Vice Chair
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

The Co-operative society needs to carry a lot of responsibilities for and on behalf of the members in order to meet their yearnings and aspirations. However, to ensure effectiveness and reduce bureaucracy in the discharge of the responsibilities by the societies to members, it may be imperative to assign some of the responsibilities to appointed/selected officials who will carry out these duties on behalf of the society. Some of these officials include Chairperson, Vice Chair, Secretary and Treasurer. In this unit therefore, learners are put through tutorials on the composition of then management committee.

### **2.0 OBJECTIVES**

At the end of the unit, learners are expected to:

- understand the composition of the management committee of the co-operative society
- appreciate the distinct roles of the key officers of the management committee.

## **3.0 MAIN CONTENT**

### **3.1 Composition of a Management Committee**

Management committees comprise the key officers who take certain responsibilities on behalf of the committee. Prominent among these officers are:

- Chairperson
- Vice chair person
- Secretary
- Treasurer

The management committee may need some of its members to take special roles to help it function effectively. These members are described as office-bearers or honorary officers.

Honorary officers generally include chairperson, secretary, and a treasurer.

Some societies have additional honorary officers. These may include Vice-Chair, Vice Secretary, Press Officer and so forth. The society's bye-law should indicate how honorary officers are to be elected or selected. It is important to check the bye-law for details and ensure these terms are adhered to. The role of the officers may include taking the lead in preparing for management committee meetings (e.g. agendas, information papers, hiring venues, etc.). Unless the management committee has explicitly delegated decision-making powers to the honorary officers, they should act in an advisory capacity and must take care to report their activities fully to the management committee.

The societies should continually check their bye-laws for details of how honorary officers should be selected and elected. All honorary officers should be clear regarding their functions. Therefore; it is good practice to have written role descriptions.

#### **3.1.1 The Chairperson**

Chairing is a key role on any management committee. The Chairperson ensures that the management committee functions properly, that there is full participation during meetings that all relevant matters are discussed and that effective decisions are made and carried out. The role of a chairperson can be time consuming, involving work between meetings, external representations of the society, and work with staff. The Chairperson usually takes on direct management responsibility for the

most senior staff member. Chairing a large society requires diplomatic and leadership skills of a high level.

### **3.1.2 The Secretary**

The role of the Secretary depends on the type and size of the society. In societies without paid staff, the secretary often takes minutes, deals with correspondence and keeps records. In societies with paid staff, these functions are often performed by staff.

### **3.1.3 The Treasurer**

The overall role of the treasurer is to maintain an overview of the co-operative society's financial status and to ensure proper financial records and procedures are maintained. In small charities without paid staff the Treasurer may take a greater role in the day-to-day finances of the organization. It is important to note that final responsibility for financial matters always rests with the management committee as a whole.

### **3.1.4 The Vice Chair**

The Vice-Chair acts for the Chair when she/he is not available and undertakes assignments at the request of the Chair. To ensure continuity every society should ensure that that chair has a deputy who can assume their responsibility and is familiar with their work should a sudden absence occur.

## **4.0 CONCLUSION**

Officials of the management committee of co-operative society carry out some responsibilities on behalf of the society. This is usually done to ensure effectiveness in the way and manners business and financial activities are conducted for the society. Management committee should therefore ensure that in the appointment/selection of the officials priority should be given to members who have high level of integrity and have records of good performance (pedigree). Learners are therefore expected to find the information so provided in this unit highly resourceful.

## **5.0 SUMMARY**

The quality of the officials of the management committee of co-operative society often determines the quantum and quality of service delivery of the society to members. Proper attention should therefore be paid to the type of the members who are selected/appointed as constituent members of the management committee of the society.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Clearly explain the composition of a management committee of co-operative society.
2. List and discuss the roles of each of these management committee members.

## **7.0 REFERENCES/FURTHER READINGS**

Akinwumi, J.A. (1988): *Business Management for Co-operative Students and Practising Managers*. Department of Agricultural Economics, University of Ibadan.

DIY Committee Guide (2005): *Roles of the Management Committee*. London.

Ihimodu, I.I.(1988): *Co-operative Economics: Concise Analysis in Theory and Applications*. Unilorin Press, University of Ilorin, Nigeria.

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## MODULE 3

Unit 1	Functions of the officials of management committee
Unit 2	Delegation of Management Committee functions
Unit 3	Audit Inspection and enquiry committee
Unit 4	Procedures for Auditor's appointment
Unit 5	Functions and Powers of Auditors
Unit 6	Inquiry and inspection of co-operatives

### UNIT 1 FUNCTIONS OF THE OFFICIALS OF MANAGEMENT COMMITTEE

#### CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Key officials of Management Committee
3.2	Functions of officials of Management Committee
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

#### 1.0 INTRODUCTION

For convenience of administration of the co-operative societies Management Committees are often put in place. Officials of these Committees are selected/elected based on the provision of the bye-laws. The principal members of these committees include the Chairperson, the secretary and the treasurer.

The level of seriousness attached to the discharge of responsibilities by each of these officials determines the efficiency of performance of activities of these societies. In this unit therefore, learners are taken through the various functions of the officials of the Management Committees of the co-operative societies.

#### 2.0 OBJECTIVES

At the end of this unit the to

- know the key officials of management committees
- identify the functions of the officials of the management committees of cooperative societies.

### **3.0 MAIN CONTENT**

#### **3.1 Key officials of management Committee**

The key officials of the Management Committee of co-operative society are:

- i. Treasurer
- ii. Secretary, and
- iii. The Chairperson

#### **3.2 Functions of the Officials of Management Committee**

The functions of the officials of Management Committee are discussed as follows:

##### **i. The Treasurer**

The Treasurer has a watchdog role over all aspects of financial management, working closely with other members of the Management Committee to safeguard the society's finances. It is important to note that although the Treasurer ensures that these responsibilities are met, much of the work may be delegated to a finance sub-committee and paid staff or volunteers.

In summary, the Treasurer is responsible for:

- A. General financial oversight
  - a) Funding, fundraising and sales
  - b) Financial planning and budgeting
  - c) Financial reporting
  - d) Banking, book- keeping and record keeping
  - e) Control of fixed assets and stock

Given these responsibilities, the Treasurer typically acts as an information and reference point for the Chair and other committee members: clarifying financial implications of proposals; confirming legal requirements; outlining the current financial status; and retrieving relevant documentation.

##### **ii. The Secretary**

The role of the secretary is to support the Chair in ensuring the smooth functioning of the Management Committee. In summary, the Secretary is responsible for:



- i. Ensuring meetings are effectively organized and minutes
- ii. Maintaining effective records and administration
- iii. Upholding the legal requirements of governing documents, charity law, company law etc. (where relevant)
- iv. Communication and correspondence

It is important to note that although the secretary ensures that these responsibilities are met, much of the work may be delegated to paid staff or volunteers. Given these responsibilities, the secretary often acts as an information and reference point for the Chair and other committee members; clarifying past practices and decisions; confirming legal requirements; and retrieving relevant documentation.

### **iii. The Chairperson**

Chairing is a key role on any voluntary Management Committee. The Chairperson must ensure that the Management Committee functions properly, that there is full participation during meetings that all relevant matters are discussed and that effective decisions are made and carried out. The role of a chairperson is time consuming, with work between meetings, external representation of the society and work with staff. Chairing a large society requires diplomatic and leadership skills of a high level.

#### Main duties of the Chairperson

The responsibilities of a Chairperson can be summarized under four areas:

- i. To ensure the Management Committee functions properly

The Chairperson is responsible for making sure that each meeting is planned effectively, concluded according to the constitutions and that matters are dealt with in an orderly, efficient manner. The Chairperson must make the most of all his/her committee members and lead the team. This also involves regularly reviewing the committee's performance and identifying and managing the process for renewal of the Committee through recruitment of new members.

- ii. To ensure the co-operative society is managed effectively

The Chairperson must co-ordinate the Committee to ensure that appropriate policies and procedures are in place for the effective management of the society.

- iii. To provide support and supervision to the chief officer

The Chairperson will often be the direct line manager for the chief officer (the most senior staff member).

- iv. To represent the society as its figurehead

The Chairperson may, from time to time, be called upon to represent the society and sometimes be its spokesperson at, for example, functions or meetings.

#### **4.0 CONCLUSION**

In this unit, learners have been put through discussions on the key officials of the Management Committee of the co-operative societies. Various functions performed by the officials of the Management Committees were also explained. It is hoped that the learners would have benefitted from this discussion.

#### **5.0 SUMMARY**

Functions performed by the officials of the Management Committees are important for effective performance of the co-operative societies. There is therefore the need for the appointment/selection of officials with credible characters so that Management committees can effectively discharge their duties and responsibilities to the advantage of the society and eventually the members.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

- i. List and discuss the key officials of Management Committees of Co-operative societies
- ii. Discuss the functions of the officials of Management Committees

#### **7.0 REFERENCES/FURTHER READINGS**

Akinwumi, J.A. (1988):Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

DIY Committee Guide (2005):Roles of the Management Committee. London.

Ihimodu, I.I. (1988):Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria

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## **UNIT 2      DELEGATION      OF      MANAGEMENT COMMITTEE FUNCTIONS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Effective delegation
  - 3.2 Choosing to delegate
  - 3.3 Key points for effective delegation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

Management committees are often saddled with a lot of tasks in their effort to ensuring the achievement of the set objectives for the members of co-operative societies. Some of these tasks and responsibilities need to be given (delegated) to some members considered qualified to carry these tasks on behalf of the management committee. In this unit therefore learners are taken through the process of delegation of responsibilities by the management committees.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- appreciate reasons for effective delegation of responsibilities
- examine processes for choosing to delegate responsibilities
- spotlight key points for effective delegation

### **3.0 MAIN CONTENT**

#### **3.1 Effective delegation**

Delegation is necessary for all of the work of a society to be completed. Except with very small societies, it is not possible for the members of committee/board to do everything necessary for the smooth running of the society. However, it is important to remember that the committee can delegate authority but not responsibility. The committee is ultimately accountable for everything that goes on in a society.

### 3.2 Choosing to Delegate

Roles and responsibilities are delegated when particular areas of activity need to be discussed or developed beyond the context of the management committee meeting. For example:

- New human resource policies need to be developed
- A project needs to be managed and delivered
- Greater financial management is required

The society needs to be represented and make decisions at meetings with funders, suppliers etc.

Depending on the nature and size of the role, delegation can be to:

- i. Honorary officers
- ii. A sub-committee or advisory group
- iii. Paid staff or volunteers

### 3.3 Key Points for Effective Delegation

The following pointers are useful reminders, regardless of who you are delegating to:

- a) Make it legal

Ensure any delegation is in line with your society's governing document and relevant legislation. Your governing document may specify, for example, the remit of honorary officers or sub-committees and the process for their appointment. Legislation will affect how you involve volunteers or recruit and employ paid staff

- b) Make it systematic

Ensure authority for delegation is clearly documented. Specify any limits to, for example, decision-making authority, financial spend and project development, without prior approval of the management committee.

- c) Provide proper oversight

Ensure a reporting mechanism is in place. The committee must be careful to read written reports provided and ask relevant questions when verbal reports are being given to ensure that the delegation they have agreed is working effectively, is within the specified parameters, and they ultimately retain control of all delegations

d) Make it effective

Ensure the people concerned have the skills needed to carry out the task. This can either form part of the selection criteria or be addressed through appropriate training.

#### **4.0 CONCLUSION**

Delegation of responsibilities by management committees of co-operative societies was discussed in this unit. The process of delegation may become necessary in view of the need to ensure high level of efficiency while handling numerous tasks facing the management committees. In this unit therefore, the learners were taken through the discussion on delegation of duties and responsibilities by the committees.

#### **5.0 SUMMARY**

In this unit, learners were tutored on the need for an effective delegation, process of choosing to delegate responsibilities and the key points for ensuring an effective delegation.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss reasons for delegation of responsibilities among management committee
2. List and explain the key points for effective delegation

#### **7.0 REFERENCES/FURTHER READINGS**

Akinwumi, J.A. (1988): Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

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## **UNIT 3      AUDIT      INSPECTION      AND      ENQUIRY COMMITTEE**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Auditor
  - 3.2 Duties and Powers of Auditors
  - 3.3 Audit Inspection and Inquiry Committee
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

Basically, co-operative societies are put in place to provide services and goods to members at minimal costs. For the co-operatives to actualize this objective there is the need to reduce the level of fraud and inefficiency in the financial and business transactions of the co-operatives. Hence the needs to constitute the audit inspection and inquiry committee which will regularly scrutinize all the activities of the society. In this unit therefore, discussions shall be centred on audit inspection and inquiry committee of the co-operative societies.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define who an auditor is.
- enumerate and explain the duties and powers of auditors
- clearly justify the relevance of audit and inquiry committee in the management of co-operatives

### **3.0 MAIN CONTENT**

#### **3.1 The Auditor**

Every registered society must appoint an auditor, who must be a member of a recognised supervisory body and must neither be a member of nor be connected with the management of the registered society (section 36 (1)).

### **3.2 Duties and Powers of Auditors**

The statutory duty of an auditor is to report to the members whether the accounts give a true and fair view and have been properly prepared in accordance with the Cooperative Decree 1993. To fulfil this duty, the auditor must carry out such investigations as are necessary to form an opinion as to whether:

- (a) proper accounting records have been kept and proper returns adequate for the auditor have been received from branches;
- (b) the accounts are in agreement with the records; and
- (c) the information given in the directors' report is consistent with the accounts. If the auditor is satisfied on these matters they need not be mentioned in the report.

The auditor's report must be read before any general meeting at which the accounts are considered and must be open to inspection by members. The auditor may also attend any meeting after resigning at which his successor is appointed and also the meeting at which his office would have expired.

Auditors have wide statutory powers to enable them to obtain whatever information they may require for the purpose of their audit. In particular, they may inspect books and records and call on officers of the registered society for information or explanations. It is a criminal offence for an officer of the society to make a false statement to an auditor if it is misleading, false or deceptive in a material particular and is made knowingly or recklessly (with indifference as to its truth).

### **3.3 Audit Inspection and Inquiry Committee**

The financial transactions and business activities of the co-operative societies need to be continually monitored and properly inspected by the management.

This is necessary because there is the need to eliminate possible sources of risk and other dangerous transactions that may make it difficult for the cooperatives to achieve the set objectives. To ensure a reliable financial and business transaction for the co-operatives therefore, audit inspection and inquiry committee is put in place. This committee, according to the provision of the bye-law setting up the co-operative, scrutinizes and inspects the financial records and accounts of the co-operative society. The regularity of the exercise is dictated by the bye-law of the co-operative. The report of the committee is eventually made available to the board of directors at the annual general meetings where



appropriate decisions are made on the recommendations of the committee.

#### **4.0 CONCLUSION**

In this unit, learners were taken through tutorials on the definition of an auditor, duties and powers of auditors and audit inspection and inquiry committee. It is believed that information so shared will further sharpen the knowledge of the learners on the subject matter.

#### **5.0 SUMMARY**

Audit and inspection should be occasionally carried out on the co-operative societies to ensure that all the financial and business activities of the society are properly scrutinized. Timely auditing minimizes the cases of fraud and inefficiency in the management of the co-operative societies.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Clearly define the term 'Auditor'
2. Enumerate and discuss the duties and powers of auditors

#### **7.0 REFERENCES/FURTHER READINGS**

Akinwumi, J.A. (1988): *Business Management for Co-operative Students and Practising Managers*. Department of Agricultural Economics, University of Ibadan.

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## **UNIT 4 PROCEDURES FOR AUDITOR'S APPOINTMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Who an auditor is
  - 3.2 Appointment of Auditors
  - 3.3 Termination of Auditor's Appointment
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

The financial and other transactions of the co-operative societies need to be continually inspected. The regularity of this exercise is as dictated in the cooperative's bye laws. Auditing of the co-operative accounts and business transactions could be conducted by internal or external teams. The members of the auditing team must be seen to be above board i.e. they must be people of impeccable character and are not found wanted in any way. In this unit therefore, we want to examine the procedures for the appointment of the auditors.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- who auditors are
- the procedure for the appointment of auditors
- what could lead to the termination of appointment of auditors

### **3.0 MAIN CONTENT**

#### **3.1 Who an Auditor**

Every registered society must appoint an auditor, who must be a member of a recognised supervisory body and must neither be a member of nor be connected with the management of the registered society.

### 3.2 Appointment of Auditors

The auditor of a newly registered society is appointed by the *management committee* to hold office until the conclusion of the first general meeting at which the accounts are considered. The registered society in general meeting may also appoint an auditor to fill a casual vacancy.

In the ordinary way the *members* appoint the auditor at each general meeting at which the accounts are considered, to hold office until the next of such a meeting, that is to audit and report on the accounts to be prepared for that subsequent meeting. If members fail to appoint an auditor at the general meeting at which the accounts are considered, the registered society must, within seven days of the meeting, give notice to the Director.

The auditor so appointed under the decree holds office from the end of the 28 days period (or the conclusion of the meeting) until the end of the time for appointing auditors for the next financial year.

The auditor who is in office when the election is made remains so until the end of the time for appointing auditors for the next financial year (unless the general meeting decides otherwise). The auditor in office when the election ceases to have effect remains in office until the conclusion of the next general meeting at which accounts are laid. When the election ceases, the auditor remains in office until the conclusion of the next general meeting at which accounts are laid, or until the end of the, time for appointing auditors for the next financial year.

Whoever appoints the auditor has power to fix his remuneration for the period of his appointment. It is usual when the auditor is appointed by the general meeting. Such remuneration must be disclosed in a note to the accounts.

### 3.3 Termination of Auditor's Appointment

An auditor may be *removed* from office before the expiry of his appointment by passing an ordinary resolution in general meeting.

An auditor may *resign* his appointment by giving notice in writing to the registered society delivered to the registered office. Alternatively, he may simply decline to offer himself for re-election.

In his notice of resignation or on ceasing to hold office for any reason the auditor must deposit at the society's registered office either:

- (a) a statement that there are no circumstances connected with his resignation which he considers should be brought to the notice of members or creditors of the company;
- (b) a statement disclosing what those circumstances are.

On receiving the auditor's notice of resignation the registered society must send a copy of it to the Director. If the auditor's notice contains a statement of circumstances the society must also send a copy to every person entitled to receive a copy of the accounts.

#### **4.0 CONCLUSION**

In this unit, learners were taken through the description of the functions of auditors and the procedures for the appointment of auditors for co-operative societies. Reasons that may necessitate the termination of the appointment of auditors were also discussed. Timely invitation of the auditors to inspect the financial and other business transactions of the co-operative societies may just be necessary to prevent the societies from running into avoidable calamities.

#### **5.0 SUMMARY**

The procedures for the appointment of auditors have been well discussed in this unit. Learners should by now be able to understand the functions of the auditors and the procedures for their appointment.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Who is an auditor?
2. What roles do auditors perform?
3. Discuss the procedures for the appointment of auditors
4. Justify the termination, if necessary, of the appointment of auditors

#### **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 5      FUNCTIONS AND POWERS OF AUDITORS**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Functions and Powers of Auditors
  - 3.2    Types of Auditors
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Readings

### **1.0    INTRODUCTION**

As part of internal financial control measures, the co-operative societies may invite the services of auditors.

The functions and powers of the auditors are clearly stated in the bye-laws of the society. Details on the limits and mandates of the auditor in the course of exercising his duties are clearly spelt out. The right to society's records, receipts of business transactions and other sensitive documents of the society are clearly stated. The auditor may even invite any member of staff, present or past, which is considered capable of providing useful information in the course of performing his functions. The power to package the reports and make recommendations to the management of the co-operative society is also included. All these information are well tutored to the learners in this unit for their proper understanding.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- know the meaning of auditing in co-operative studies;
- identify the types of auditors in the internal financial management of the co-operative societies;
- know the various functions and powers of the auditors.

### **3.0 MAIN CONTENT**

#### **3.1 Functions and Powers of Auditors**

The statutory function of an auditor is to report to the members whether the accounts give a true and fair view and have been properly prepared in accordance with the Cooperative Decree 1993. To fulfill this duty, the auditor must carry out such investigations as are necessary to form an opinion as to whether:

- (a) proper accounting records have been kept and proper returns adequate for the auditor have been received from branches;
- (b) the accounts are in agreement with the records; and
- (c) the information given in the directors' report is consistent with the accounts.

If the auditor is satisfied on these matters they need not be mentioned in the report.

The auditor's report must be read before any general meeting at which the accounts are considered and must be open to inspection by members. The auditor may also attend any meeting after resigning at which his successor is appointed and also the meeting at which his office would have expired.

Auditors have wide statutory powers to enable them to obtain whatever information they may require for the purpose of their audit. In particular, they may inspect books and records and call on officers of the registered society for information or explanations. It is a criminal offence for an officer of the society to make a false statement to an auditor if it is misleading, false or deceptive in a material particular and is made knowingly or recklessly (with indifference as to its truth). It should be noted that a complete and accurate accounting system is vital for effective management of co-operative societies. It must produce several financial statements that are needed in planning and controlling, such as:

- a) Monthly and annual balance sheets and operating statements
- b) Functional or enterprise accounts pertaining to departments or specific lines of business, and
- c) Special accounts such as patronage records accounts receivable, members equity and patron financing.

#### **3.2 Types of Auditors**

An independent auditor is periodically invited to verify the accuracy of cooperative's business records. This is especially useful to directors in

performing their controlling and performing functions. It helps the board determine the extent to which the manager has followed financial policies and evaluate how the co-operative is accomplishing its basic objectives. The external audit is primarily a board tool. Larger co-operatives also use internal audit reports. The internal auditor's primary duty is to monitor the co-operative's accounting policy. The auditor checks the cost of prescribed procedures, including their effect on patrons and personnel, and suggests ways to prevent errors. Usually, the auditor reports to the chief controlling officer, but sometimes to the general manager or even to the board of directors. Internal audits are primarily manager tools.

#### **4.0 CONCLUSION**

Here, the importance of the auditor in the internal financial management of the co-operative societies has been stressed. Types of auditors have been identified.

Various functions and powers of the auditor have been also been discussed.

Basically, independent auditors are invited to verify the accuracy of co-operative's business records. These reports are usually found useful by the board of directors.

#### **5.0 SUMMARY**

Auditor's reports are of immense importance to the board of directors in arriving at accurate decisions on the financial positions of the co-operative societies. Periodic invitation of the auditors to investigate the financial positions of the co-operative societies is very germane.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and discuss the types of auditors.

Clearly explain the functions and powers of the auditors in the management of co-operative societies.

#### **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 6      INQUIRY    AND    INSPECTION    OF    CO- OPERATIVES**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Inquiry by Commissioner
  - 3.2 Inspection of Books of indebted Society
  - 3.3 Expenses of Inquiry
  - 3.4 Procedure for Dissolution
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

In order for the co-operative society to meet its obligations to members there is the need to continually show interest in the financial transactions and business activities of the co-operative. Hence, inquiry and inspection of the cooperative is necessary. It affords the co-operative the opportunity to detect all areas of risks that are capable of causing failure for the co-operative in meeting the set objectives. In this unit therefore, learners are taken through inquiry and inspection of co-operative.

### **2.0 OBJECTIVES**

At the end of the unit, you should be able to:

- describe how inquiry and inspection commences
- explain the expenses of inquiry
- discuss the procedure for dissolution of co-operative

### **3.0 MAIN CONTENT**

#### **3.1 Inquiry by Commissioner**

- a. The Commissioner may, of his own accord, and shall on the direction of the Minister, or on the application of not less than one-third of the members present and voting at a meeting of the society which has been duly advertised, hold an inquiry or direct some person authorized by him writing to hold an inquiry, into the by-laws, working and financial conditions of any co-operative society.

- b. All officers and members of the co-operative society shall produce such cash, accounts, books, documents and securities of the society, and furnish such information in regard to the affairs of the society, as the person holding the inquiry may require.
- c. The commissioner shall report the findings of his inquiry at a general meeting of the society and shall give directions for the implementation of the recommendation of the inquiry report.
- d. Where the commissioner is satisfied, after due inquiry, that the committee of a co-operative society is not performing its duties properly, he may:-
  - i. dissolve the committee, and
  - ii. Cause to be appointed an interim committee consisting not more than five members from among the members of the society for a period not exceeding ninety days.

### **3.2 Inspection of Books of Indebted Society**

The commissioner may, if he thinks fit, on the application of a creditor of a cooperative society, inspect, or direct any person authorized by him in writing to inspect, the books of the society, if:-

- i. the creditor satisfies the commissioner that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and
- ii. the applicant deposits with the commissioner such sum as security for the expenses of the inspection as the commissioner may require.

### **3.3 Expenses of Inquiry**

It is noted that where an inquiry is or an inspection is made under section 59 of the co-operative society act, the commissioner may, by a certificate under his hand, make an order apportioning the expenses, or such part of the expenses as he considers proper, between the society, the members or creditor demanding the inquiry or inspection, and the officers or former officers of the society; and the decision of the commissioner thereon shall be final.

It is added that any sum awarded by way of expenses under sub-section (1) of the co-operative society act shall be a civil debt recoverable summarily on production of the certificate referred to in that sub-section. Notwithstanding the provisions of sections 58 and 59 of the co-operative society act of Kenya, the commissioner may from time to time carry out impromptu inspection into the affairs of a co-operative society

### **3.4 Procedure for Dissolution**

- i. If the commissioner, after holding an inquiry under section 58 of the Cooperative society act, or making an inspection under section 59 of this act, or receiving an application made by at least three fourths (75%) of the members of a co-operative society, is of the opinion that the society ought to be dissolved, he may, in writing, order the dissolution of the society and subsequently cancellation of registration.
- ii. Any member of a co-operative society who feels aggrieved by an order under sub-section (1) of the co-operative society act may, within two months after the making of such order, appeal against the order to the Minister with a final appeal to the High Court.
- iii. Where no appeal is filed within the prescribed time, the order shall take effect on the expiry of that period, but where an appeal is filed within the prescribed time the order shall not take effect unless it is confirmed by the Minister or by the High Court as the case may be.
- iv. Where the commissioner makes an order under subsection(1) of the cooperative society act, he shall make such further order as he thinks fit for the custody of the books and documents and the protection of the assets of the society.
- v. No co-operative society shall be dissolved or wound up save by an order of the commissioner

### **4.0 CONCLUSION**

This unit had extensively discussed inquiry and inspection of co-operative societies. The provisions of the co-operative societies act (as amended) of Kenya (2004) were used as a reference point. Learners should have been properly informed about the necessary condition for the inquiry and inspection, expenses of the inquiry process and the procedure for dissolution of cooperative societies, among others.

### **5.0 SUMMARY**

Issues that give birth to inquiry and inspection of co-operatives have been discussed. The inspection of books of indebted society, expenses of inquiry process and the procedure for dissolution of co-operative society were discussed. Information shared is expected to increase the understanding of the learners about co-operative management in developing economies.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss the circumstances that necessitate the setting up of inquiry and inspection of a co-operative society

2. Explain the procedure for the dissolution of co-operative societies.

## **7.0 REFERENCES/FURTHER READINGS**

The Co-operative Societies Act of Kenya (2004) Amended. No 12 of 1997 as Amended in 2004.

Adeyeye, S.O. (1978):The Co-operative Movement in Nigeria- Yesterday, Today and Tomorrow. Gottingen-Vandenhoech and Ruprecht.

**MODULE 4**

Unit 1	Distribution and uses of Net Surplus in a Co-operative Society
Unit 2	Dividend Payment and Interest on Shares of Co-operative Societies
Unit 3	Liquidation of Registered Society
Unit 4	Appointment of a Liquidator and Powers of a Liquidator
Unit 5	Arbitration and Cooperative Society
Unit 6	Public Accountability

**UNIT 1      DISTRIBUTION AND USES OF NET SURPLUS  
IN A CO-OPERATIVE SOCIETY****CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Declaration and Payment of Bonus
3.2	Distribution of Net Surplus in a co-operative society
3.3	Maintenance of Reserve Funds
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

**1.0      INTRODUCTION**

Most co-operative societies, in an effort to meet their obligations to members, venture into series of business activities .These activities may include but not limited to, crop production, marketing, animal husbandry, construction, service delivery and etc. There could be net surpluses after sharing the dividend of profits to members at the end of business year. This net surplus should be distributed according to the provision of the by-laws of the societies and not indiscriminately shared out. Proper distribution of the net surplus (in the context of the provision of the society's by-law) will help the society meet its obligations to members. In this unit therefore, learners are taken through the ways co-operative societies distribute their net surpluses in accordance with the provision of the by-laws.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- understand the concept of declaration and payment of bonuses of co-operative societies
- be able to explain the ways net surpluses are distributed in co-operative societies

## 3.0 MAIN CONTENT

### 3.1 Declaration and Payment of Bonus

- i) The provisions of the by-laws usually indicate that every co-operative society shall declare each year all the bonuses due to members. But where the bonuses are required for re-investment by the society for capital development, or for the redemption of bonus certificates, the society shall issue bonus certificates to its members in lieu of cash payments, redeemable from a revolving fund established by the society for that purpose
- ii) No co-operative society shall pay a dividend, bonus, or distribute any part of its accumulated fund without a balance sheet and audited account and report disclosing the surplus funds out of which the dividend, bonus or distribution is to be made.

### 3.2 Distribution of net surplus in a co-operative society

Generally, the distribution of a co-operative's surplus is determined by laws.

Surplus is determined at the close of a co-operative's fiscal year or as prescribed by its bye-laws. A co-operative's surplus is not profit in the usual sense of the word. This excess payment or surplus is considered as having been returned to the members if the surplus is distributed in the following manner:

- a) Priority goes generally to the reserve fund at least 10 % of the net surplus. The reserve fund is meant to stabilize co-operative operations and may be used only for investments allowed by the code.
- b) Priority goes to education and training, which is generally not more than 10% of the net surplus.
- c) Priority is an optional fund, a land and building fund, community development fund and any other necessary funds. After all, these have been allocated; the remainder is available to the general

membership in the form of interest on his investment and patronage refund. Nevertheless, interest in share capital should exceed normal rate of return on interest.

### **3.3 Maintenance of Reserve Fund**

According to the provision of the Co-operative Societies Act of Kenya (amended) 2004, every co-operative society which does or can derive surplus from its transactions shall maintain a reserve fund.

A co-operative society may carry to the reserve fund such portion of the net surplus in each year as may be prescribed by rules under this Act or by the bylaws of the society.

The reserve fund shall be invested in the manner provided for in the by-laws.

Again, the reserve fund set up under the provision of the by-laws shall be indivisible and no member shall be entitled to claim a specific share of it.

Finally, upon dissolution of a co-operative society, the assets represented by the reserve fund shall be applied in the discharge of the liabilities of the society.

## **4.0 CONCLUSION**

In this unit, learners have been taken through instructions on the declaration and payment of bonuses and distribution of net surplus in a co-operative society. The approach of the societies to maintaining the reserve funds was also discussed. It is hoped that information so shared in this unit will be of benefits to the learners

## **5.0 SUMMARY**

The net surplus of co-operative societies need to be properly distributed so that the return on investment and capital turn- over could further bring increased yield to the societies' investment portfolio year after year.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss how the net surplus of co-operative societies is usually distributed
2. How is the reserve fund of co-operative societies maintained?



## **7.0 REFERENCES/FURTHER READINGS**

The Co-operative Societies Act of Kenya (2004) Amended. No 12 of 1997 as Amended in 2004.

Adeyeye, S.O.(1978): The Co-operative Movement in Nigeria- Yesterday, Today and Tomorrow. Gottingen-Vandenhoech and Ruprecht.

## **UNIT 2 DIVIDEND PAYMENT AND INTEREST ON SHARES OF CO-OPERATIVE SOCIETIES**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Payment of Dividends and interest on shares
  - 3.2 Distributable Profits
  - 3.3 Dividends of Registered Societies
  - 3.4 Relevant Accounts
  - 3.5 Infringement of Dividend Rules
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References and Further Readings

### **1.0 INTRODUCTION**

This unit discusses Payment of Dividends and interest on shares; Distributable Profits; Dividends of Registered Societies; Relevant Accounts and Infringement of Dividend Rules.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- understand how payment of dividend is done and interest on shares are distributed
- value the assets of co-operative societies

### **3.0 MAIN CONTENT**

#### **3.1 Payment of Dividends and Interest on Shares**

Dividends may only be paid by a registered society out of profits available for the purpose: there is now a detailed code of rules which determines what are distributable profits. This law previously applied to the rules of registered societies. There are special rules for investment of registered society fund.

The power to declare a dividend is given by the bye-laws which usually follow the provisions of the Cooperative Act of 1993:

- (a) The registered society in general meeting may declare dividends but no dividend may exceed the amount recommended by the directors who have an implied power in their discretion to set aside profits as reserves to be used in the business of the registered society or outside it in making investments.
- (b) The directors may declare such interim dividends as they consider justified.
- (c) Dividends are normally declared payable on the paid up amount of share capital. For example, a share which is fully paid will carry entitlement to twice as much dividend as a share 50 kobo paid:
- (d) A dividend may be paid otherwise than in cash.
- (e) Dividends may be paid by cheque or warrant sent through the post to the shareholders at his registered address. If shares are held jointly payment of dividend is made to the first-named joint holder on the register.

A shareholder is not entitled to a dividend unless it is declared in accordance with the procedure prescribed by the bye-laws and the declared date for payment has arrived. *A dividend is a debt only when it is declared and due for payment.* The directors (as they have power at their discretion to make transfers to reserves) may decide to withhold profits and cannot be compelled to recommend a dividend (not to declare an interim dividend).

### 3.2 Distributable Profits

The profits which may be distributed as dividend are:

‘accumulated realized profits, so far as not previously utilized by distribution or capitalization less accumulated realized losses, so far as not previously written off in a reduction or reorganization of capital duly made’.

The word ‘accumulated’ requires that any losses of previous years must be included in reckoning the current distributable surplus. A profit or loss is deemed to be *realized* if the profit or loss falls to be treated as realized in accordance with generally accepted accounting principles at the time the accounts are prepared. Hence, accounting standards in issue, plus generally accepted accounting principles (GAAP), should both be taken into account when determining realized profits and losses.

- (a) only profits realized at the balance sheet date shall be included in the profit and loss account, and
- (b) losses which have arisen, or are likely to arise, in respect of the current accounting period and any previous accounting period

should be taken into account. In addition, losses which arise between the balance sheet date and the date that accounts are signed should also be taken into account.

### **3.3 Valuation of Assets**

In so far as depreciation relates to the historical cost of the asset, it must be treated as a realised loss, and debited against profit, in determining the amount of distributable profit remaining. But if the asset has been revalued any increased depreciation provision related to the increase in value of the asset may be treated as a profit.

An example may help. Suppose that an asset purchased for N20,000 has a 10 year life. Provision is made for depreciation on a straight line basis so the annual depreciation charge of N2,000 must be deducted in reckoning the company's realised profit less realised loss. Suppose now that after five years the asset is re-valued to N50,000 and in consequence the annual depreciation charge is raised to N10,000 (over each of the five remaining years of the assets life). The effect of s. 275 is that N8,000 of this amount may be reclassified as a realised profit. The net effect is that realised profits are reduced by only N2,000 in respect of depreciation, as before.

If, on a general revaluation of all fixed assets (or all except goodwill), it appears that there is a diminution in value of any one or more assets, than any related provision(s) need not be treated as a realised loss. Such a revaluation need not be recorded in the financial statements but need only be considered.

However, a note must be inserted in the accounts to the effect that the directors have considered the value of the fixed assets of the company without actually revaluing all those assets and that they are satisfied that the aggregate value of those assets at the time was no less than their aggregate book value.

If there is no record of the original cost of an asset the directors may use whatever is the earliest available record of its value. If it is uncertain whether a profit or loss of any previous year was realised or unrealised they may treat any such profit as realised and any such loss as unrealised.

If a company shows development expenditure as an asset in its accounts it must usually be treated as a realised loss.

### 3.4 Relevant Accounts

The question whether a company has profits from which to pay a dividend is determined by reference to its “relevant accounts” which are generally the latest audited annual accounts. Relevant accounts must be properly prepared in accordance with the requirements of the General Accounting Practice.

If the auditor has qualified his report on the accounts he must also state in writing whether, in his opinion, the subject matter of his qualification (if it relates to statutory accounting requirements) is material in determining whether the dividend may be paid.

A registered society may produce *interim accounts* if the latest annual accounts do not disclose a sufficient distributable profit to cover the proposed dividend.

It may also produce *initial accounts* if it proposes to pay a dividend during its first accounting reference period or before its first accounts are laid before the company in general meeting. These accounts may be unaudited.

### 3.5 Infringement of Dividend Rules

If a dividend is paid otherwise than out of distributable profits the society, the directors and the shareholders may be involved in making good the unlawful distribution.

Any member of the registered society may apply to the court for an injunction to restrain the company from paying an unlawful dividend. A resolution passed in general meeting to approve it is invalid and it does not relieve the directors of their liability.

The Registered Society Management Committee is entitled to recover an unlawful distribution from its members if at the time of receipt they knew or had reasonable grounds for knowing that it was unlawful. If only part of the dividend is unlawful, if it exceeds the distributable profits by a margin, it is only the excess which is recoverable. If a member knowingly receives an improperly paid dividend a derivative action cannot be brought by him against the directors.

The initiative in payment of dividends rests with the management team since it is they who either recommend to members in general meeting that a dividend should be declared or they declare interim dividends (if authorised to do so).

Moreover the accounts sent to shareholders are prepared by or under the supervision of management team and are approved and signed by them. Accordingly the management teams are liable to make good to the society the amount unlawfully distributed as dividend if they caused an unlawful dividend to be paid in any of the following ways:

#### **4.0 CONCLUSION**

The reward expected by shareholders for investing in share capital is a dividend. This unit has demonstrated the various rules which have been evolved to ensure that dividends are only paid out of profits available for the purpose. Together they comprise additional safeguards for the maintenance of capital.

#### **5.0 SUMMARY**

In this unit, we have discussed:

- Payment of dividends and interest on shares
- Distributable profits;
- Dividends of registered societies;
- Relevant accounts and
- Infringement of dividend

#### **6.0 TUTOR- MARKED ASSIGNMENT**

1. What are the rules governing distribution of profits and payment of dividends in a registered society?
2. Describe the relevant accounts of a registered society and list the penalties for infringement of dividend rules.

#### **7.0 REFERENCES AND FURTHER READINGS**

Akintunde, E. (2005). Corporation Law. Emiola Publishers. Cap 90 of the 1990 Laws of the Federation

Owolabi, N.B. and Badmus, M.A. (2003). *Nigeria Business and Cooperative Law*. Printants Limited.

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## **UNIT 3 LIQUIDATION OF REGISTERED SOCIETY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Method of Dissolution
  - 3.2 Liquidation
  - 3.3 Insolvency Practitioner
  - 3.4 Qualification of a Liquidator
  - 3.5 Duties of Liquidator
  - 3.6 Common Features of all Types of Liquidation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

A registered society like, a cooperative society, is an artificial person and could be would up or liquidated in accordance with the provision of the Cooperative Society Law Cap. of 1993 Laws of the Federation.

In this unit, you will learn about the methods of dissolution of a cooperative society, what is meant by liquidation, the types of liquidation, powers of a liquidator and the duties of a liquidator.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the meaning of compulsory and voluntary liquidation of a cooperative society;
- state and discuss the powers of a liquidator;
- list the duties of a liquidator.

### **3.0 MAIN CONTENT**

#### **3.1 Method of Dissolution**

Dissolution occurs when a cooperative society's name is removed from the register of cooperatives. At this point, it ceases to exist, it has no

capacity and the relationship between the cooperative society and its members is at an end.

### **3.2 Liquidation**

Dissolution of cooperative society follows liquidation or winding up (the terms are often used synonymously). This means that the cooperative society must be dissolved and its affairs “wound up” or brought to an end. The asset are realised, debts are paid out of the proceeds, and any surplus amounts are returned to members.

Liquidation leads to dissolution of the registered society. The members of a registered society may within two months from the date of an order made under subsection (2) or of this section appeal against the order to the Minister or Commissioner of Cooperatives, as the case may be, for a decision of the order. The court may also rescind the decision and order the registered society back to the register.

There are a number of ways in which cooperative society may be liquidated. They are:

- (a) by the Director, under section 38 (1) of the Cooperative Laws;
- (b) by an order of the court if the number of members have fallen below the mandatory number;
- (c) by cancellation of registration of judicial review by the Attorney General. This may be invoked if the Director has erroneously registered a cooperative society with illegal objects;
- (d) on completion of a compulsory liquidation; and
- (e) on completion of a voluntary liquidation.

Most dissolution is as a result of liquidation. However, methods above is often used by the Director suspects that in a cooperative society, the number of the members of the society has been reduced to less than ten or in case of an industrial society, to less than six. This is referred to compulsory liquidation.

Also, section 38 (2) the Director, after holding or making an inquiry or conducting an inspection under section 37 of the Cooperative Laws of the Federal Republic of Nigeria or on receipt of an application made not less than three quarter ( $\frac{3}{4}$ ) of the members of a registered society, is of the opinion that the registered society ought to be dissolved, he may make an order in writing for the cancellation of the registration of the society.



Even though a cooperative society's name is struck off the register under section 38 of the Act, any liability of the members living or dead continues and may be enforced as if no dissolution has taken place.

### **3.2.1 Compulsory Liquidation**

A registered society may, however, be obliged to wind up by compulsory liquidation or ordered by the court on a petition usually presented by a creditor or members. The Director may also by an order in writing cancel the registration of a registered society on application of  $\frac{3}{4}$  of members of the registered society after causing an enquiry to be made.

### **3.2.2 Voluntary Liquidation**

Dissolution or liquidation that brings the business of a cooperative society to an end through the decision of the members is referred to as voluntary liquidation.

Liquidation begins with a final decision to liquidate. If the members in a general meeting resolve to wind up the registered society that is voluntary liquidation (winding up). This may be either a member or a creditors' voluntary winding up, depending on Management Committees believe or the Director that the registered society will or will not be able to pay its debt in full.

Voluntary liquidation is simpler, quick and less expensive; it is possible only if a majority of votes cast in a general meeting on a resolution to liquidate.

Whether liquidation is voluntary or compulsory, it is the hand of the liquidator who takes over control of the registered society from the Director.

### **SELF-ASSESSMENT EXERCISE**

Identify the ways registered society could be dissolved.

### **3.3 Insolvency Practitioner**

It is only the court or the Director that can give an order winding up a registered society. The society then ceases to exist from the date of wind up and all rights conferred under the law is now vested in a liquidator appointed by the Director for the society. It is important to note that the office of a Liquidator must now be filled by authorised insolvency practitioner.

### 3.4 Qualifications of a Liquidator

The person to be appointed as a liquidator:

- (a) must be fit and proper;
- (b) must be up to the required standard in respect of education and practical training, and experience received as a liquidator;
- (c) he must not been discharged bankrupts;
- (d) must not be a mentally ill-person.

### SELF-ASSESSMENT EXERCISE

Explain the term „Liquidator of a registered society“.

### 3.5 Duties of Liquidator

Given the wide powers invested in a liquidator, he has certain duties. These statutory duties include the following:

1. He reports to the Director;
2. He acts within the limit of the powers granted him by the Director;
3. He maintains a record of the names of all members of the registered society both dead or living;
4. He must exercise discretion in the application of his powers. Although he may delegate a clerical task and those which he cannot perform personally (for which he can appoint agents), a liquidator cannot delegate his duty to clerical office to use his judgement;
5. He stands in fiduciary relationship to the registered society, its credits and contributors;
6. He must cooperate with the Director;
7. He must cooperate with the official receiver;
8. He must act quickly in carrying out his duties and not delay;
9. He must keep minutes of the proceedings and resolution of creditors, contributors and liquidation committee meeting;
10. He must keep records of proceedings.
11. He must keep a record of all receipts and payments.

### 3.6 Common Features of all Types of Liquidator

Liquidation may begin in different ways and different procedures; it should however be noted that the working procedure is much the same in every type of liquidation. In the same vein, in every type of liquidation of a registered society, the same problems can arise.

- (a) Liquidators' actions are valid even if the appointment or qualification are defective;
- (b) No further dealing or change of membership will be permitted (unless the court sanctions a rectification or other change);
- (c) All monies, orders, letters and other documents of the deregistered society must state prominently that the registered society is in liquidation;
- (d) The Director's power to manage ceases, but the liquidation is done under his direction.

#### **4.0 CONCLUSION**

We have seen the importance of distinguishing between types of liquidation and also between liquidation and dissolution. Some of the procedural steps to take when or how a liquidation commence or proceed were also discussed.

#### **5.0 SUMMARY**

In this unit, you learned about the following:

- dissolution of a registered society;
- methods of liquidation;
- liquidation;
- appointment of a liquidator;
- duties of a liquidator;
- common features in all types of liquidation.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. How far may a liquidator delegates its powers?
2. Describe how a registered society can be dissolved.
3. What event would occur in making a liquidation decision?

#### **7.0 REFERENCES/FURTHER READINGS**

Akintunde, Emiola (2005). Corporation Law. Emiola Publishers.  
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## **UNIT 4 APPOINTMENT OF A LIQUIDATOR AND POWERS OF A LIQUIDATOR**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Provisional Liquidator
  - 3.2 Effect of an Order for Compulsory Liquidation
  - 3.3 Voluntary Liquidation
    - 3.3.1 Members' Voluntary Liquidation
    - 3.3.2 Creditors' Voluntary Liquidation
  - 3.4 The Effect of Voluntary Winding up
  - 3.5 The Liquidation Committee
  - 3.6 Contributories
  - 3.7 Powers of a Liquidator
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

In this unit, you will continue with the study of liquidation and this will take you through to compulsory liquidation, provisional liquidator, effects of an order for compulsory liquidation, voluntary liquidation, effects of voluntary winding up, the liquidation committee and contributories.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- Define compulsory and voluntary liquidation
- State the effect of an order for compulsory liquidation
- List out the effect of voluntary winding up
- Discuss the role of liquidation committee
- Explain the powers inherent in a liquidator.

### **3.0 MAIN CONTENT**

#### **3.1 Compulsory Liquidation**

A petition presented by three fourths ( $\frac{3}{4}$ ) of the members of a registered society to the Director of Cooperative Society specifying one of the five grounds for compulsory winding up or by a Creditor of the registered society is enough to compulsorily liquidate the society. The five grounds are as follows:

- (a) The registered society has passed a special resolution that it should be wound up by the court;
- (b) The number of members of the society has been reduced to below the required number;
- (c) The registered society is unable to pay its debts;
- (d) The court considers that it is just and equitable to wind up the society; and
- (e) The registered society is being used for an illegal purpose.

Petition for compulsory winding up are most often presented by creditors who cannot obtain payment of the debt owed to them. Three-quarter ( $\frac{3}{4}$ ) members who have sufficient grounds of dissatisfaction could present a petition on the just and equitable grounds.

#### **SELF-ASSESSMENT EXERCISE**

Mention and explain four grounds for compulsory winding up of a registered society.

A creditor who petitions on the grounds of a registered society's insolvency may rely on any of the following situations to show that the registered society is insolvent. A creditor must be able to show by proof that:

- (i) the registered society is not able to pay its debts as they fall due – the commercial insolvency test;
- (ii) the assets are less than its liabilities – the balance sheet test.

#### **3.2 Provisional Liquidator**

Once the court has been petitioned, a provisional liquidator may be appointed by the court. The official receiver is usually appointed and his powers are conferred by the court. These powers usually extend to taking control of the registered society property and applying for a Special Manager to be appointed.

### 3.3 Effects of an Order for Compulsory Liquidation

The effects of the order, which may be made sometime after a provisional liquidator is appointed, are as follows:

- (1) The official receiver becomes the liquidator;
- (2) The liquidation is deemed to have commenced at that time;
- (3) Any disposition of the registered society property and any transfer of its shares subsequent to the commencement of liquidation is void unless the court orders otherwise;
- (4) Any legal proceedings in progress against the society are halted.

The assets of the registered society may remain as the legal property of the registered society but under the liquidator's control unless the court by order vests the assets in the liquidator.

### 3.4 Voluntary Liquidation

There are two types of voluntary liquidation – a member's "voluntary winding up, where the registered society is solvent and members merely decides to "kill it off" and a creditors" voluntary winding up, where the society is insolvent or there is dispute between the members of the management committee and members resolve to wind up in consultation with the creditors.

#### 3.4.1 Members" Voluntary Liquidation

The type of resolution to be passed varies with the circumstances of the case at hand.

- (a) If the bye-laws of a registered society provides for liquidation at the end of a specified period or on the happening of an event, say, the completion of the transaction for which the society was formed, an ordinary resolution (referring to the bye-laws) suffice. This is however rare.
- b) A society may, by extraordinary resolution, resolve to wind up because it cannot, by reason of its liabilities, continue in business.
- (c) A society may, by a petition signed by  $\frac{3}{4}$  i.e. three-fourths of the members of a registered society forwarded to the Director resolve to wind up the society.
- (d) The Director, after causing investigation to be made into the affairs of a registered society, is satisfied can by a written notice wind up the society.

## **SELF-ASSESSMENT EXERCISE**

Mention and explain three effects of the order of compulsory winding up of a registered society.

### **3.4.2 Creditors' Voluntary Liquidation**

To commence a creditors' winding up, the management committee convenes a general meeting of members to pass an extraordinary resolution. They must also convene the meeting of the creditors.

The meeting of the members is held first and the usual business transaction is as follows:

- (a) to resolve to wind up;
- (b) to appoint a liquidator; and
- (c) to nominate up to five or more representatives of the liquidation committee.

The creditors' meeting should preferably be convened on the same day or at a later date. The meeting may nominate a liquidator and members of the liquidation committee. If the creditors nominate a different person to be liquidator, their choice prevails over the nomination by the members. The creditors may decide not to appoint a liquidator at all. They cannot be compelled to appoint a liquidator and if they do fail to appoint one, it will be the members' nominee who will take the office. The effect of the voluntary winding up being a creditors' one is that the creditors have a decisive influence on the conduct of the liquidation. This is reasonable since it is assumed that a registered society is unable to pay its debts in full. The remaining assets will therefore be realised for the benefit of the creditors and the members may get nothing.

### **3.5 The Effect of Voluntary Winding Up**

The main differences in legal consequences between a compulsory and voluntary winding up are as follows:

- (a) a voluntary winding up commences on the day when the resolution to wind up is passed. It is not retrospective;
- (b) the official receiver plays no role in a voluntary winding up. The members or creditors select and appoint the liquidator and he is not an officer of the court; and
- (c) there is no automatic stay of legal proceedings against the registered society nor are previous disposition or seizure of its asset void in a voluntary winding up.



### **3.6 The Liquidation Committee**

A liquidation committee may be appointed in a compulsory liquidation and in a creditors' voluntary liquidation. It usually comprises an equal number of representatives of members and of creditors. The general function of the committee is to work with the liquidator, to supervise his accounts, to approve the exercise of certain of his statutory powers and to fix his remuneration.

### **3.7 Contributories**

Every person who is a member of the registered society at the commencement of winding up and every past member is, in principle, liable to contribute to the registered society's asset whatever may be required to enable it pay its debts in full. Present and past members' even dead members are therefore called upon to contribute. Members of a registered cooperative society cannot contribute more than his shares in the registered society.

### **3.8 Powers of a Liquidator**

In order to perform his functions satisfactorily, the liquidator is given certain powers. His functions are to realise the registered society's asset to pay of its debts.

- (1) All liquidators may withhold or invoke the relevant sanction;
- (2) Pay any class of creditors in full;
- (3) Make compromise or arrangement with creditors;
- (4) Compromise any debt or questions relating to assets;
- (5) Take security;
- (6) Bring or defend legal proceedings (without sanction in a voluntary liquidation).

### **SELF-ASSESSMENT EXERCISE**

What are the powers of a liquidator?

### **4.0 CONCLUSION**

We have seen the importance of distinguishing between types of liquidation and also between liquidation and dissolution. The unit contains most of the procedural information which you need to know on how liquidation commences and proceeds.

## 5.0 SUMMARY

In this unit, you learnt about the powers and duties of a liquidator, compulsory and voluntary liquidation, the liquidation committee, members' voluntary and creditors' voluntary liquidation.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. What accounting record must a liquidator keep?
2. What are the main powers of a liquidator?

## 7.0 REFERENCES/FURTHER READINGS

Akintunde, Emiola (2005). *Corporation Law*. Emiola Publishers.  
Cooperative Society Decree 90 of 1993.

Nigeria Law Digest (2006). Lexis Nexis Publishers.

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## **UNIT 5      ARBITRATION      AND      COOPERATIVE SOCIETY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Disputes Requiring Arbitration in a Registered Society
  - 3.2 Arbitration Defined
  - 3.3 Disputes that can be referred to Arbitration
  - 3.4 Parties to agreement to Arbitrate
  - 3.5 Persons Bound by the Agreement
  - 3.6 Arbitration in Cooperative Society
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

Conflict is inherent in any human organisation and as such occurred in a registered society. There have been some statutory provisions for dispute settlement where it touches the business of a registered society. In this unit, you will learn to define the concept of alternative dispute resolution in respect of a cooperative society. You will also learn to know who an arbitrator is, his qualifications, powers and his activities as it concerns a registered society.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define the concept of alternative dispute resolution in respect of a registered society;
- describe an arbitrator;
- list out the qualifications and powers of an arbitrator; and
- discuss the activities of an arbitrator as it concerns a registered society.

### **3.0 MAIN CONTENT**

#### **3.1 Disputes Requiring Arbitration in a Registered Society**

Section 49 (1) of the Cooperative Law of 1990 states that “if a dispute touching the business of a registered society arises:

- (a) among present or past members and person claiming through present or past members and deceased members; or
- (b) between a present, past or deceased member and the society, its committee or any office, agent or servant of the society;
- (c) between the society and any other committee and any office, agent or servant of the society; or
- (d) between the society and any other registered society; the dispute shall be referred to the Director for settlement.

Section 49 (2) state that “a claim by a registered society for any debt or demand due to it from a member or nominee, heir or estate of a deceased member, shall be deemed to be a dispute touching the business of the society within the meaning of subsection (c) of section 49.

#### **3.2 Arbitration Defined**

An arbitration is the reference of a dispute or difference between not less than two parties for determination, after hearing both sides in a judicial manner, by a person or persons other than a court of competent jurisdiction. A person or persons to whom a reference to arbitration is made is called an Arbitrator or Arbitrators as the case may be. His or their decision is called an award. One or more arbitrators may be constituted into an arbitral tribunal. The decision of such a tribunal is also called an award.

#### **SELF-ASSESSMENT EXERCISE**

Define the term Arbitration.

#### **3.3 Disputes that can be referred to Arbitration**

It is not every dispute or differences that can be referred to arbitration. Disputes that can be referred must be justiciable issues which can be tried as a civil matter. They must be dispute that can be compromised by way of accord and satisfaction. These include all matters in dispute about any real or personal property, disputes as to whether a contract has been breached by either party thereto.

However, disputes arising out of illegal transaction cannot be referred; also an award arising from such a reference cannot be enforced and may be set aside. Disputes arising out of void transaction, such as wagering and gaming contracts, cannot be referred. An indictment for an act of a public nature cannot be referred. It is a settled policy of the law that an arbitrator should not be empowered to settle a criminal charge which is a matter of public concern.

### **3.4 Parties to Agreement to Arbitrate**

The capacity to enter into an agreement to arbitrate is a coexistence with the capacity to contract. Consequently, every person who is capable of entering into a contract may be a party to an arbitration agreement. Conversely, a person who has no capacity to contract cannot enter into an arbitration agreement.

A corporation aggregate may be a party to an arbitration agreement in the same way as a natural person. But for other agreements to be valid, it must be in conformity with the rules which normally regulate transactions by the corporation.

### **3.5 Persons Bound by the Agreement**

Parties to the agreement are of course bound by it. If the subject of the reference is assignable, the assignee of a party is bound. A third party, who is not a party to the arbitration agreement or an assignee of such a party cannot impose himself on the proceeding.

### **SELF-ASSESSMENT EXERCISE**

Identify the nature of disputes that can be referred to arbitration in a cooperative society.

### **3.6 Arbitration in Cooperative Society**

The arbitration/award involving a cooperative society is final.

## **4.0 CONCLUSION**

The question which is often asked is why do parties, particularly in the business world, sometimes prefer arbitration to litigation in the ordinary courts of the land. The answer is that arbitration can be quicker than litigation. A court action involves conformity with laid down procedure, which cannot be circumvented by the parties and this takes time. The decision of an arbitral tribunal is final and binding on the parties. Consequently, an arbitral award is not subject to appeal.

## 5.0 SUMMARY

In this unit, we learnt about the definition of arbitration, arbitration laws in Nigeria as it applies to cooperative societies, the importance and advantage of arbitration in cooperative societies.

## 6.0 TUTOR-MARKED ASSIGNMENT

Arbitral award involving a cooperative society and its members is final and not subject to appeal. Comment.

## 7.0 REFERENCES/FURTHER READINGS

Akaki, E.O. (Ed.) (1992). *Essays on Company Law*, University of Lagos Press (for Department of Commercial and Individual Law) Unilag.

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## **UNIT 6 PUBLIC ACCOUNTABILITY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Accountability
  - 3.2 Contents of Accounting Records
  - 3.3 Annual Accounts
  - 3.4 The Auditor
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References and Further Readings

### **1.0 INTRODUCTION**

This unit will discuss the following topics:

- (i) Accountability
- (ii) Contents of Accounting Records
- (iii) Annual Accounts
- (vi) The Auditor

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- discuss accountability;
- list the contents of accounting records;
- describe the annual accounts; and
- discuss the position of auditor in a registered society.

### **3.0 MAIN CONTENT**

#### **3.1 Accountability**

This will be discussed on under two sub-heads namely: Public Accountability and Internal Accountability.

##### **3.1.1 Public Accountability**

It is a basic principle of company law that the advantages of trading through a separate corporate body (especially if its members have

limited liability for its debt) should be matched by requiring the registered society to provide information about itself which is available to the public. Anyone who is interested in a company, typically because he intends to do business with it and perhaps to give it credit, can thus find out who owns and manages it and when is its financial position at the date of its latest accounts.

The basic sources of information about a Nigerian Cooperative Societies are as follows:

- (a) Its *file at the Director of Cooperative Office* in which the Director holds all documents delivered to him by the society for filing. Any member of the public may inspect the file (called „making a search“) on payment of a small fee and may obtain copies of the documents in it.
- (b) The *register and other documents* which the registered society is required to hold at its registered office (or in some cases at a different address in which notice is given to the registrar). Here too there are statutory rights of inspection.

Small companies complain that they are put at a disadvantage with their companies by filing their complete accounts at the registry. This grievance has been relieved by s. 246 (1) which permits small or medium sized companies to deliver to the registrar „modified“ accounts in short form.

### **3.1.2 Internal Accountability**

A different aspect of the requirement that information must be given exists within a registered society. The management of the company is in the hands of the directors and they must be accountable to the members.

- (a) The members have a statutory right to receive a copy of the annual accounts, together with the auditors“ reports.
- (b) Various transactions and interests of the management team must be disclosed in the accounts or entered in a register or other documents which members may inspect.
- (c) Any loans and transactions with the cooperative society in which they have a material interest must be disclosed in the accounts.

## **3.2 The Director of Cooperatives**

### **Certificate of the Cooperative Office File**

On first registration, the society’s file includes a copy of its certificate of incorporation and the original documents presented to secure its



incorporation. Every document delivered to the Director of Cooperative in compliance with cooperative law is added to the file.

### **3.3 Contents of Accounting Records**

Given the demands on registered societies to submit details to the Director of Cooperatives and to present accounts to their members, it is obvious that, in order to do so, transactions entered into by a cooperative society must be recorded.

A registered society is required to keep accounting records sufficient to show and explain the society's transactions. At any time, it should be possible:

- (a) to determine with reasonable accuracy the company's financial position; and
- (b) to ascertain that any balance sheet or profit and loss account prepared is done so in accordance with the Act.

Particular records required by the Act are:

- (a) daily entries of sums paid and received, with details of the source and nature of the transactions;
- (b) a record of assets and liabilities;
- (c) statements of stock held by the registered society at the end of each financial year;
- (d) statements of stocktaking to back up the records in (c);
- (e) statements of goods bought and sold (except retail sales), together

with details of buyers and sellers sufficient to identify them.

The requirements (c) to (e) above apply only to businesses involved in dealing in goods.

Accounting records may be kept in the form of bound books or in any other manner decided by the management team. If another method is used (such as loose leaf binders) added precautions must be taken to prevent falsification.

The vast majority of registered societies nowadays keep their records by means of computers. This „non-legible“ recording is permitted with the proviso that a legible form (hard copy) can be reproduced.

Accounting records should be kept at the registered society's registered office or at some other place thought fit by the management team.

Accounting records should be open to inspection by the members of the society. They have a right of inspection of all records, although the court has no statutory power to compel a society to allow its accounting records to be inspected.

Where a society fails to maintain the required records, every defaulting officer is guilty of an offence unless there were honest and excusable reasons. The penalties for such an offence are imprisonment, a fine or both.

### **3.4 Annual Accounts**

The basic principle is that the directors must, in respect of each accounting reference period of the company:

- (a) prepare a balance sheet and profit and loss account;
- (b) lay before the registered society in general meeting accounts for the period.

The information to be given in the accounts, their format and other matters of form and content are regulated mainly by accounting standard. There is a requirement that the accounts shall give a true and fair view, additional data must be given to supplement the statutory prescribed figures if without those additions the accounts would not give a true and fair view.

The broad requirements are that the accounts should show:

- a schedule of assets and liabilities;
- a profit and loss account, showing the amount of profit or loss before tax;
- transfers to reserves;
- paid and proposed dividends;
- corresponding amounts for the previous year;
- notes on accounting policies and on the balance sheet and profit and loss account.

These are the contents of the statutory accounts to be filed and to be presented to the shareholders.

### **3.5 Auditor**

The accounts must be audited and the auditor's report must be attached to the copies issued to members, delivered to the Director or published. The accounts must also be accompanied by the auditors' report giving information on a number of prescribed matters. It must contain a balance

sheet of the development of the business of the society ..... year and at the end of it, and must state the directors' recommendations on the application, rendition and distribution of profits.

### **3.5.1 Circulation of Accounts**

Each member and debenture-holder is entitled to be sent a copy of the annual accounts, together with the directors and auditor's reports, at least 21 days before the meeting before which they shall be laid. Anyone else entitled to receive notice of a general meeting, including the auditor, should also be sent a copy. At any other time any member or debenture-holder is entitled to a copy free of charge within seven days of requesting it.

### **3.5.2 Adoption of Accounts by Members**

The accounts must be laid before members in general meeting. It is usual to deal with the accounts at each year's Annual General Meeting. But it is not obligatory to do so – the accounts may be considered at an Extraordinary General Meeting (as when the accounts are not ready at the time when the AGM must be held to comply with AGM rules).

When the accounts are laid before a general meeting it is usual to propose a resolution that they be „adopted“ or approved. This gives the members present an opportunity of asking pertinent questions, making criticisms or suggestions etc. The approval of the accounts is regarded as a vote of confidence in the directors. If however the accounts are not adopted they are still the accounts and their validity is not affected. But to reject the accounts is an expression of members' lack of confidence in the management team. In the face of this storm signal the directors are well advised to enter into discussions with prominent shareholders, who may form a shareholders' committee for this purpose.

We have seen that every member of a company (and also every debenture-holder) is entitled to receive a copy of the accounts. But only those members who are entitled to attend general meetings are able to take part in the discussion of the accounts.

It is usual to include in the accounts provision for a final dividend to be declared by resolution passed at the general meeting at which the accounts are considered.

The auditors are appointed at the general meeting at which the accounts are considered to hold office until the next such general meeting.

### 3.6 The Auditor

Every registered society must appoint an auditor, who must be a member of a recognised supervisory body and must neither be a member of nor be connected with the management of the registered society (section 36 (1)).

#### 3.6.1 Appointment of Auditors

The auditor of a new registered society is appointed by the *management committee* to hold office until the conclusion of the first general meeting at which the accounts are considered. The registered society in general meeting may also appoint an auditor to fill a casual vacancy.

In the ordinary way the *members* appoint the auditor at each general meeting at which the accounts are considered, to hold office until the next such meeting, that is to audit and report on the accounts to be prepared for that subsequent meeting.

If members fail to appoint an auditor at the general meeting at which the accounts are considered, the registered society must, within seven days of the meeting, give notice to the Director.

The auditor so appointed under the decree holds office from the end of the 28 days period (or the conclusion of the meeting) until the end of the time for appointing auditors for the next financial year.

The auditor who is in office when the election is made remains so until the end of the time for appointing auditors for the next financial year (unless the general meeting decides otherwise). The auditor in office when the election ceases to have effect remains in office until the conclusion of the next general meeting at which accounts are laid.

When the election ceases, the auditor remains in office until the conclusion of the next general meeting at which accounts are laid, or until the end of the „time for appointing auditors“ for the next financial year.

Whoever appoints the auditor has power to fix his remuneration for the period of his appointment. It is usual when the auditor is appointed by the general meeting. Such remuneration must be disclosed in a note to the accounts.

### 3.6.2 Termination of Auditors Appointment

An auditor may be *removed* from office before the expiry of his appointment by passing an ordinary resolution in general meeting.

An auditor may *resign* his appointment by giving notice in writing to the registered society delivered to the registered office. Alternatively, he may simply decline to offer himself for re-election.

In his notice of resignation or on ceasing to hold office for any reason the auditor must deposit at the society's registered office either:

- (a) a statement that there are no circumstances connected with his resignation which he considers should be brought to the notice of members or creditors of the company; or
- (b) a statement disclosing what those circumstances are. On receiving the auditor's notice of resignation the registered society must send a copy of it to the Director. If the auditor's notice contains a statement of circumstances the society must also send a copy to every person entitled to receive a copy of the accounts.

### 3.6.3 Duties and Powers of Auditors

The statutory duty of an auditor is to report to the members whether the accounts give a true and fair view and have been properly prepared in accordance with the Cooperative Decree 1993. To fulfill this duty, the auditor must carry out such investigations as are necessary to form an opinion as to whether:

- (a) proper accounting records have been kept and proper returns adequate for the auditor have been received from branches;
- (b) the accounts are in agreement with the records; and
- (c) the information given in the directors' report is consistent with the accounts.

If the auditor is satisfied on these matters they need not be mentioned in the report.

The auditor's report must be read before any general meeting at which the accounts are considered and must be open to inspection by members. The auditor may also attend any meeting after resigning at which his successor is appointed and also the meeting at which his office would have expired.

Auditors have wide statutory powers to enable them to obtain whatever information they may require for the purpose of their audit. In particular,

they may inspect books and records and call on officers of the registered society for information or explanations. It is a criminal offence for an officer of the society to make a false statement to an auditor if it is misleading, false or deceptive in a material particular and is made knowingly or recklessly (with indifference as to its truth).

#### **4.0 CONCLUSION**

A number of statutory requirements have been examined, all of which are designed to ensure that corporate bodies (especially limited liability companies) are open to public enquiry where this is in the public interest. This is achieved primarily by:

- (a) the requirement to maintain registers which can be inspected by the public and
- (b) the requirement of an auditor

#### **5.0 SUMMARY**

In this unit, we have discussed:

- accountability;
- contents of accounting records;
- annual accounts; and

#### **6.0 TUTOR MARKED ASSIGNMENT**

1. Briefly define and describe accountability as it relates to a registered society.
2. List and explain the contents of accounting records of a registered society.

#### **7.0 REFERENCES/FURTHER READINGS**

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