

Subcommittee on Co-operatives Meeting – 29 August 2012

The Subcommittee considered the amendments to the following proposed definitions (see attached document for details):

1. financial statements
2. social report
3. management decision report
4. board
5. independent review
6. independent reviewer
7. independent reviewed report
8. audit
9. audited report

The following amendments were also proposed:

1. The inclusion of the definition of an activity plan in section 29 of the Act.
2. The consequential amendment of Section 32 of the Act to include where the board of directors are to be elected and how to fill a vacancy.
3. The inclusion of co-operative principles as a definition.
4. The inclusion of a requirement to comply with the co-operative principles in section 3 of the Act.
5. The inclusion of a definition of projected annual revenue and annual revenue in the proposed section 15A.

<p>New – insert into clause 26 as it is only used there</p>	<p>Amendment of section 29 of Act 14 of 2005 26. Section 29 of the principal Act is hereby amended— <i>(c)</i> by the insertion of the word “and” at the end of paragraph <i>(f)</i> and the addition of the following paragraph: “<i>(g)</i> consider the activity plan presented by the board of directors.”.</p> <p>This definition to be inserted into section 29 (clause 26 above): ‘Activity plan’ means a document that summarises the operational and financial objectives of the co-operative and – (a) sets clear business goals for the next financial year with reasons why these goals are believed to be attainable; and (b) determines how funds in the co-operative will be utilised.</p>
<p>In bill</p>	<p>‘annual accounting report’ means a document containing financial statements, a social report and the management decision report;</p>
<p>In bill</p>	<p>‘audit’ means objectively examining and evaluating the annual accounting report, in accordance with prescribed or applicable auditing standards, with the objective of expressing an opinion as to its fairness or compliance with an identified reporting framework and applicable statutory standards; the examination of, in accordance with prescribed or applicable auditing standards- (a) financial statements or financial and other information prepared in accordance with suitable criteria; (b) social reports; and (c) management decision reports, with the objective of expressing an opinion as to their fairness or compliance with identified criteria, including a reporting framework, if any, and any applicable statutory requirements.</p>
<p>In bill</p>	<p>‘auditor’s annual accounting audited report’ means an annual accounting report examined and evaluated by an auditor examining and evaluating the financial statements, social report and management decision report;</p>
<p>In bill</p> <p>In Bill, clause 28</p>	<p>‘board’ means the board of directors set out in section 32.</p> <p><u>Consequential amendment:</u></p> <p>Amendment of section 32 of Act 14 of 2005 28. Section 32 of the principal Act is hereby amended— <i>(a)</i> by the substitution for subsection (3) of the following subsection: “(3) The board [of directors] must be elected at the annual general meeting for such period as [may be] set out in the constitution of the co-operative[, which period may not be more than four years].”; and <i>(b)</i> by the addition of the following subsections: “(4)The board may in the event of a vacancy by way of a resolution appoint a director for the remainder of the period referred to in subsection (3), according to the prescripts set out in the constitution of the co-operative: Provided that such resolution must be ratified at the next general meeting held by the cooperative. (4)(5) All other issues relating to the board of directors which are not provided for in this Act, must be provided for in the constitution of the co-operative.</p>

	<p>(5 6) The members of a co-operative may by resolution of two thirds of the members present at the special meeting— (a) convened by the supervisory committee; or (b) called by at least 25 per cent of members where such co-operative does not have a supervisory committee, dissolve the board of directors if such members find justifiably good reason that the board is dysfunctional or has acted contrary to any law.”.</p>
<p>In bill</p> <p>We need to:</p> <ol style="list-style-type: none"> 1. Make sure the principles are still intact; 2. See if we can shorten this; 3. Play with the wording so that it reads well 	<p>‘co-operative principles’ means the principles informed by the values of the co-operative that guides the co-operative in giving effect to the spirit of the preamble following principles:</p> <ol style="list-style-type: none"> (a) The first principle of <i>Voluntary and Open Membership</i> requires co-operatives to be voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. (b) The second principle of <i>Democratic Member Control</i> requires co-operatives to be democratic organisations controlled by their members including – <ol style="list-style-type: none"> (i) members actively participating in setting their policies and making decisions; (ii) men and women serving as elected representatives being accountable to the membership; (iii) equal voting rights in primary co-operatives (one member, one vote); and (iv) A democratic organisation for voting in secondary co-operatives and co-operative apex organisations. (c) The third principle of <i>Member Economic Participation</i> requires members to contribute equitably to, and democratically control, the capital of their co-operative usually including— <ol style="list-style-type: none"> (i) retaining part of the capital as common property of the co-operative; (ii) giving members limited compensation, if any, on capital subscribed as a condition of membership; and (iii) allocating surpluses for any or all of developing the co-operative by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership. (d) The fourth principle of <i>Autonomy and Independence</i> requires co-operatives to be autonomous, self-help organisations controlled by their members and if co-operatives enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy; (e) The fifth principle of <i>Education, Training and Information</i> requires co-operatives to provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives and can inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation; (f) The sixth principle of <i>Co-operation among Co-operatives</i> requires co-operatives to serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures; and

	<p>(g) The seventh principle of <i>Concern for Community</i> requires co-operatives to work for the sustainable development of their communities through policies approved by their members.</p> <p>Amendment of section 3 of Act 14 of 2005</p> <p>3. Section 3 of the principal Act is hereby amended—</p> <p>(a) by the substitution for subsection (1) of the following: “(1) A co-operative must comply with co-operative principles and for [For] the purposes of this Act, a co-operative [complies] is deemed to comply with co-operative principles if – ”</p> <p>(a)(b) by the substitution in subsection (1) for paragraph (e) of the following paragraph: “(e) at least [five per cent] a percentage of the surplus is set aside as a reserve [in a reserve fund] and is not divisible amongst its members;”;</p>
New	<p>‘financial statements’ means statements drafted by the Board and includes—</p> <p>(a) a statement of financial position (balance sheet) at the end of the period</p> <p>(b) an income statement</p> <p>(c) a statement of changes in membership shares for the period</p> <p>(d) a statement of cash flows for the period</p> <p>(e) notes, comprising a summary of accounting policies and other explanatory notes</p>
In bill	<p>‘independent review’ means an objective review and assessment of an annual accounting report in accordance with prescribed or applicable standards, with the objective of expressing an independent assessment or review as to fairness or compliance of the report prepared in accordance with an identified reporting framework and applicable statutory requirements means an assessment of the financial statements as well as social and management decision reports with an objective to conclude, through performing preliminary inquiry, and analytical procedures, and evaluating the sufficiency and appropriateness of evidence obtained, whether anything has come to the attention of the practitioner that causes the practitioner to believe the financial statements, social reports and management decision reports are not prepared in all material respects, in accordance with an applicable reporting framework;</p>
In bill	<p>‘independent reviewer’ means a person registered with an accredited professional body contemplated in Chapter III of the Auditing Profession Act, who does not have a personal financial interest in the co-operative or a related or inter-related co-operative</p> <p>(a) a registered auditor, or a member in good standing of a professional body that has been accredited in terms of section 33 of the Auditing Professions Act, or</p> <p>(b) a person who is qualified to be appointed as an accounting officer of a close corporation in terms of section 60 (1), (2) and (4) of the Close Corporations Act, 1984 (Act No. 69 of 1984).”;</p>
In bill	<p>‘independent reviewer’s reviewed annual accounting report’ means an annual accounting report reviewed and assessed by an independent reviewer;</p>
New	<p>‘social report’ means an assessment report drafted by the Board and that assesses the social impact and ethical performance of the co-operative in relation to its stated</p>

	vision, mission, goals and the code of social responsibility of the co-operative.
New	'management decision report' means an assessment report drafted by the Board and that assesses compliance to legislative as well as the co-operative's constitutional requirements by the co-operative.
New – Only in 15A, so insert into 15A	<p>Insertion of section 15A in Act 14 of 2005</p> <p>14. The following section is hereby inserted in the principal Act after section 15: "Categories of primary co-operatives</p> <p>15A. (1) The Minister must prescribe the monetary threshold for the annual revenue or projected annual revenue for each of the following categories of a primary co-operative:</p> <p>(a) A category A primary co-operative which is a small primary co-operative;</p> <p>(b) a category B primary co-operative which is a small to medium primary co-operative; and</p> <p>(c) a category C primary co-operative which is a medium to large co-operative.</p> <p>(2) Category A, B and C primary co-operatives are primary co-operatives that are excluded from deposit-taking financial services co-operatives and co-operative banks."</p> <p>This definition to be inserted into section 15A (clause 14 above): 'projected annual revenue' for purposes of this section means an estimate of the gross inflow of economic benefits for a period equal to a financial year, that a newly established co-operative projects may be arising in the course of its ordinary activities during its first financial year.</p>
New	<p>This definition to be inserted into section 15A (clause 14 above):</p> <p>'annual revenue' means the gross inflow of economic benefits during a financial year arising in the course of ordinary activities of the co-operative.</p>