

Co-operative Governance

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Boards, Officers and Committees and their Roles and Responsibilities

Co-operatives exist principally to serve the needs of their members. Because it is usually impossible for all members to be involved in directing the affairs of their co-operative on an ongoing basis, the membership elects a Board of Directors to do so on its behalf. Board members are normally elected at the co-operative's annual general meeting. The Board of Directors, in turn, appoints officers and committees necessary to properly carry out these responsibilities.

This fact sheet addresses generally the roles and responsibilities of the Board of Directors collectively, of the officers of the Board and of committees, and their respective responsibilities to members, to the organization and to one another. It should be used with the **Canada Co-operatives Act**, regulations, and appropriate legal, technical, and managerial advice and support.

Responsibilities of the Board of Directors

It is important that board members learn and understand their roles and responsibilities early in their term. These include advising on policy, directing the activities and operations of the co-operative and acting as a liaison with the public and the membership, in accordance with the **Canada Co-operatives Act**, the Articles of Incorporation and the by-laws of the co-operative. Roles and responsibilities include the following elements:

Stewardship - The Board is responsible for the management of the co-operative's activities, assets and image, and is accountable under the co-operative's by-laws and the **Act** to the membership for this stewardship. Individual directors and the Board collectively have a duty to direct the co-operative honestly and in good faith, using the care and diligence of a reasonably prudent person.

Financial Management - The Board and individual directors are responsible for the financial affairs of the co-operative and for its financial transactions. They are responsible for funds which the co-operative raises, accepts and disperses. In overseeing financial management and transactions, the Board and individual directors are obligated to exercise the judgment that a reasonably prudent individual would exercise in regard to his/her own funds. Adequate financial controls which protect assets and limit liabilities are required, as are adequate operating practices and accountability measures.

Liability - Directors may be liable to the co-operative itself and to outside parties if they fail to:

- put the interests of the co-operative before their personal interests or the interests of others;
- be informed about and understand the business and affairs of the co-operative; and
- use their knowledge and expertise for the benefit of the co-operative.

Directors may also be held personally liable for:

- misuse of the co-operative's property;
- condoning illegal or improper acts by employees, officers or other directors;
- declaring dividends which render the co-operative insolvent;
- wages of employees;
- deductions and premiums such as employees' income tax, unemployment insurance and workers compensation; and
- unpaid taxes such as income tax and GST.

Insurance may be available to protect directors from some of these liabilities. Directors may purchase this themselves or it may be provided by the co-operative. However, the insurance will only cover a director who has acted in good faith. For example, a director cannot insure himself/herself against the consequences of stealing from the co-operative. Similarly, a director cannot be indemnified by the co-operative with respect to illegal or dishonest acts.

Planning, Implementation and Evaluation - The directors are responsible for planning, implementing and evaluating policies and activities which fulfill the purpose(s) for which the co-operative was established as described in the Articles of Incorporation (i.e. its "objects") and the objectives of the members as determined through annual general meetings. The purpose and objectives should reflect the needs of the co-operative and its community, and be translated into the budget or utilization of resources at the disposal of the co-operative. Activities carried out on behalf of the co-operative should be consistent with its established purpose and objectives.

Communications - Communication within the co-operative, both written and verbal, enables the membership to understand and support the actions of the Board. The Board must keep in touch with members, especially when establishing goals and planning activities. Interaction with individuals and groups outside the co-operative's membership, including potential members, community leaders, other organizations, and various business and government bodies to interpret the co-operative's needs, services and achievements is very important.

Officers and Their Roles and Responsibilities

As soon as possible after the annual general meeting, the Board of Directors should meet to appoint officers. This is usually done through an internal election process. Every co-operative must have a president and a secretary. Co-operatives may have additional officers that are provided for in its by-laws or in a resolution passed by the directors. Normally, the officers include a president, vice-president, secretary and treasurer or secretary/treasurer. The president and vice-president of the co-operative must be directors of the co-operative, unless the by-laws provide otherwise. The officers should have clearly stated duties and terms of reference. These should be reviewed and

updated at least annually to ensure that policy development for and operations of the co-operative are adequately addressed.

President

The president is appointed or elected through an internal election process by the Board of Directors. He/she provides leadership to the Board specifically and the membership generally, and mentors or guides the directors in their own roles and responsibilities. The president's duties also include:

- planning meetings and preparing agendas. The president presides over all executive, board and general meetings unless someone else is designated as chairperson;
- assigning responsibilities, tasks and activities to the other officers, to committees and to the co-operative's management, where appropriate;
- representing the co-operative and acting as its official spokesperson to the public, media, governments, the community and other organizations or individuals on matters pertaining to the business of the co-operative.

Chairperson

The president is normally designated in the by-laws to chair the meetings of the Board of Directors. In some co-operatives, the chair is assigned to the past-president, special moderator, or another person each time a meeting is held. This allows the president to participate in debates on policy matters and to vote on motions, rather than maintain a position of neutrality necessary in the chair. The responsibilities of a chairperson include the following:

- planning meetings and preparing agendas;
- presiding at meetings by establishing the rules of order for the members to follow, following the agenda, involving members and managing discussions;
- evaluating meetings to ensure that the objectives of the meetings have been met;
- involving and motivating board members, ensuring they understand their roles and responsibilities, and checking on their progress, but being careful not to undermine their work and authority.

Vice-President

The vice-president assumes the duties of the president in his/her absence by presiding at meetings of the Board of Directors, delegating responsibilities, tasks and activities to other officers and the co-operative's management, representing the co-operative and acting as its official spokesperson. The vice-president often chairs special committees of the Board and performs other duties as may be designated.

Secretary

The secretary is responsible for maintaining a written record of all aspects of the Board's and the co-operative's operations. He/she should have good writing, note taking, summarizing and public

speaking skills, as well as knowledge of parliamentary procedure. Typical responsibilities include the following:

- handling correspondence of the co-operative;
- collaborating with the chairperson in preparing agendas for board, executive and annual general meetings, and providing advice on meeting procedure;
- sending meeting notices to directors and members, advising them of the times and places of the meetings;
- keeping minutes of meetings and having them approved at the next meeting;
- presenting a summary of correspondence at meetings (the full correspondence being on hand for reference);
- distributing minutes to members and notifying them of upcoming meetings;
- keeping a list of all committees and members;
- keeping an up-to-date membership list;
- having custody of the seal of the co-operative, if any;
- making meeting and physical set-up arrangements.

Preparing Minutes

The secretary is responsible for recording and keeping the minutes of all meetings. Through the minutes, the secretary ensures that a permanent record of the Board's actions has been kept and that an accurate history of the co-operative and its members is maintained. These records provide a sense of continuity to the co-operative as time passes. The minutes are a record of what happened and not the thoughts or feelings of members or officers. They should be written clearly and concisely, in a manner that leaves no room to question the intent of decisions taken by the Board. An absent member should be able to read the minutes and have a clear understanding of the business transacted at the meeting.

Treasurer

The treasurer is responsible for the financial management of the co-operative and is accountable through the Board to the co-operative's members for its financial situation. The treasurer's duties include the following:

- preparing the co-operative's budget, usually in collaboration with a finance committee and staff;
- handling financial transactions and exercising signing authority on behalf of the co-operative;
- preparing financial statements and reporting on the co-operative's financial position to the board and the membership;
- recommending financial policies and procedures for the co-operative; ensuring that the co-operative's year-end financial statements are audited by an external auditor. This is normally done in advance of the co-operative's annual general meeting.

Secretary/Treasurer

The role of the Secretary/Treasurer combines the duties of the two positions into one.

Committees

When the amount of work required to administer a co-operative grows beyond what the Board of Directors can handle, the Board may decide to appoint committees to which tasks can be assigned. There are two types of committees, standing and special. Standing committees function more or less on a permanent basis to handle ongoing requirements. Examples include administration, finance and nominating committees. Special or ad hoc committees are normally appointed on a short term basis to study unique issues or items of business, report findings, make recommendations on actions to be taken to the Board, and/or implement board decisions. The number and types of committees can vary from co-operative to co-operative.

Committees must include three directors in order to exercise powers delegated to them by the Board. Those with fewer than three directors may only make suggestions to the Board. Committees may also include representatives from the membership, management and staff. All committees should have written terms of reference. For standing committees, these should be included in the by-laws. For special or ad hoc committees, terms of reference should be set out in the motions that created the committees.

Prepared by: Government of Saskatchewan

For further information regarding starting a business, contact the

Canada-Saskatchewan Business Service Centre

#2 - 345 3rd Avenue South

Saskatoon, Sask. S7K 1M6

Phone: **306-956-2323** Toll-Free: **1-800-667-4374**

E-mail: saskatchewan@canadabusiness.sk.ca

Web site: <http://www.canadabusiness.ca/sask/>

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