

AccountAble™

Registered Society-2

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Overview

How should a society function? Ideally, in the same way as it started - as a group of friends. However, over the years, the functioning of societies has gradually become more and more formal. There is more thought given to following the rules than to fulfilling the substantive purpose behind these rules.

In a previous issue of AccountAble¹, we started a discussion on the general concepts related to a registered society.

In this circular, we discuss some more concepts. The emphasis is on understanding the substance behind a rule, rather than the wording of the rules themselves.

Governing Body

There is no limit on the size of the General Body. It may have seven members or seven thousand² members.

This creates a problem. Every one cannot participate in management of the society. So the General Body elects a smaller body. This is called the Governing Body. In some cases, it is called the Executive Committee.

People who sign the memorandum, automatically become the first members of the Governing Body. This may not happen if the composition of the Governing Body is given in the Bylaws.

An outsider³ cannot become a Governing Body member to begin with. However, later

such a person can be taken into the Governing Body. This can happen if allowed by the Bylaws.

Office-bearers

Every Governing Body member is not an office-bearer. Office-bearers usually have a designation. Common designations are President, Secretary, Treasurer, Chairperson, etc.

A person who is simply a member of the Governing Body is not an office-bearer.

An office-bearer must be a member of the Governing Body. Other officers employed by the Society (Executive Director, Chief Executive, etc.) are normally not office bearers in this sense. They are a part of the Executive.

Role

What is the role of the Governing Body? It is to guide the organisation in achieving its objects. While doing this, the Governing Body should ensure that all the provisions of the bylaws are followed.

The Governing Body should not get involved in day-to-day functioning. Why? It works through discussion and joint decision-making. If it was to start looking after everything, then things would slow down very much. Every decision would have to be put to vote.

The practical functioning of the organisation is therefore usually left to one person. He/she could be selected from the Governing Body or from outside. Such a person

Chief Functionary?

This is a designation coined by the FCRA Department. It is not a normal designation in either societies or trusts, or even companies. However, under FCRA, this is used to denote a person who is in charge of the organisation, somewhat like a CEO (Chief Executive Officer).

¹ 62: Registered Society – 1. Available at www.AccountAid.net

² There is no upper limit on membership of a society.

³ A person who is not a member of the General Body

reports periodically to the Governing Body. Usually such a person works full-time for the organisation and draws a salary.

Liability

What happens if something goes wrong? Is the Governing Body also liable? This depends on the facts of the case. The Governing Body will normally not be held responsible for acts of the society.

In some cases, the Governing Body members can be held personally liable. This happens when their negligence in performance of duties is proved.

Elections

Elections to the Governing Body may be held each year or less frequently. In some cases, the entire Governing Body is elected at these elections. In other cases, some members, usually one-third retire by rotation each year.

Only general members of the society can vote at such elections. If a member has not paid his/ her dues, then he/she may not be allowed to vote. Members can usually vote by proxy⁴ also.

Meetings

Meetings are an essential part of the society's life. Without regular meetings, the members of the society can not reconcile their views or assess how the society is functioning. Meetings are of two types: General Body meetings and Governing Body meetings⁵.

General Body Meetings

General Body meetings are normally held once a year. At these meetings, all members of the general body are invited. Such meetings are also called Annual General Meetings (AGM).

What happens at these meetings? Firstly, the annual accounts and audit report are presented to the General Body for their approval. Secondly, auditors may be reap-

pointed at these meetings⁶. Thirdly, at some of the meetings, elections for Governing Body members also take place. Fourthly, they can also discuss additional matters as listed in the agenda or permitted by the chair.

Apart from the Annual General Meeting, sometimes, special meetings of the general body can be called. These are usually called to decide on matters, which the Governing Body can not decide. Examples are dissolution of the society, alteration in memorandum or bylaws, etc.

Notice

A notice is like an invitation to a meeting. It should be sent in time, so that people can make arrangements for attending the meeting. Quite often, the notice is treated as a legal formality⁷. The Society management then tries to give the minimum possible notice to the members.

This is unfortunate. It is a little like inviting people to your daughter's wedding but sending out the invitation on the last day!

An alternative approach would be to think of the meeting as a social event that you are organizing. You would then try to make sure that maximum number of invitees attend. You would send out formal invitations. You would also call them up over the phone to repeat the invitation. Such an approach would increase participation in the meetings and strengthen your bonds with the members.

Quorum

All the members usually do not attend a meeting. Sometimes, the number of members attending a meeting is so low that proper discussion can not take place. In such cases, decisions taken at the meeting are not binding on the society.

To avoid any uncertainty due to this, a quorum is specified in the bylaws. This means the minimum number of people that must be

⁴ This means that the member does not attend personally but authorizes some one to attend and vote on his behalf.

⁵ In many societies, there is no practical difference between the General Body and Governing Body. Members of both the bodies are same and are common. In such cases, people often neglect to hold General Body meetings. They forget that the legal difference between these two bodies still exists.

⁶ This practice varies widely. In many NGOs, the Governing Body is responsible for appointing the auditors. In other NGOs, the Governing Body only suggests the name. The actual appointment is done by the General Body, to whom the auditors report. The second type of appointment is technically more sound.

⁷ This is especially true because normally the rules provide that notice should be sent at least one week, one fortnight or one month in advance.

present before discussion starts or decisions can be made.

What if the bylaws are silent on this issue? In such a case, the quorum is generally taken to be more than 50% of the membership⁸.

If quorum is not present, then the meeting is usually adjourned. Normally the adjournment is for one week. It is then held on the same day next week. The place and time also remain unchanged.

Adjourned meeting

An ongoing meeting may be adjourned for lunch, in which case, the discussion continues after the lunch. Or it may not have started at all, generally for lack of a quorum.

In such a case, the meeting may be adjourned for a few hours. This is done if there is reason to think that some more people will join later.

However, if other people are unlikely to join on the same

Bypassing the Quorum Requirements

What happens if the quorum is not present at the adjourned meeting as well? Sometimes, the bylaws provide that no quorum is necessary at a reconvened meetings. But this also creates a dangerous loophole (see AccountAble 85: Administrative Clauses in Bylaws: pages 2-3).

To avoid this, one should provide some safeguards:

- Lay down a lower quorum for the reconvened meeting
- Disallow discussion of important issues at a reconvened meeting
- Disallow discussion of additional topics (not included in the agenda) at the reconvened meeting.

Suggested model clauses are given in AccountAble 85.

⁸ 4 members out of 7, or 5 out of 8. Four out of eight would not constitute a quorum in this case as it would be just 50%.

Invitation

We cordially invite you to attend the Annual General Meeting of your society (Lok Jagran Manch) and share your views on:

1. Annual Report and Audited Accounts
2. Reappointment of Auditors
3. Election of retiring Governing Body members
4. Any other item that you may wish to discuss, with permission of the chair

The meeting will be held at the main office of your society at
The date is We plan to start the meeting at a.m.

We have selected a Sunday so that you would find it easier to come. If you need any help with travel arrangements, please feel free to call me at xxx-xxxxx.

We look forward to seeing you at the meeting.

Thanks and best wishes,
Yours sincerely,

Xyz
Secretary

day, then the meeting should be adjourned to another day⁹.

Governing Body Meetings

The concepts discussed above apply to Governing Body meetings as well. There are some variations though.

Frequency of Meetings

Governing Body meetings are normally held more often. This is because Governing Bodies are more closely involved with the governance of the society. They should meet frequently to take important decisions.

Agenda

The agenda for Governing Body meetings is generally wider. It is also more varied – all sorts of issues related to the society are

⁹ The word adjourn comes from the Old French phrase *à jour nommé*, which means 'to an appointed day'. Over the centuries, the meaning of adjournment has changed to mere postponement, whether to another day or to another hour.

discussed. The Governing Body is also normally responsible for ensuring that all the bylaws are complied with.

The agenda is normally sent to all the members in advance. Also important related documents are enclosed with the agenda. This gives the members time to study the documents. They can form their tentative views and note down important questions in advance.

Traveling Expenses

General Body members are not paid their traveling expenses for attending the AGMs etc. However, the AGM takes place only once a year. Governing Body meetings may take place 4-5 times each year. Should the Governing Body members pay for these on their own?

No. Normally, reasonable traveling expenses of the Governing Body members are reimbursed to them. They are however, not entitled to any fees for the meetings that they attend.

Accountants often face a dilemma when they have to reimburse Governing Body members. They need a claim form, and perhaps some supports such as hotel bills and train/ air ticket counterfoils. But they are afraid of offending the member.

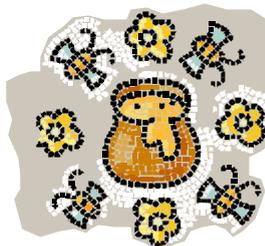
This problem can be tackled using a dual pronged approach. Firstly, the rules regarding reimbursement should be set out clearly. These should also say what supports would be needed. These should be sent to the members along with the invitation for the meeting. Secondly, the concerned members should consider that their behaviour sets the tone for the accounting and control in the organisation. Therefore, they should make sure that they are following the rules fully.

Role of Governing Body

Let us also think how Governing Bodies came into being. Imagine a society with a hundred or a thousand members. If everyone became involved in governance, it would result in chaos. So they decide to select a few from among themselves to look after policy and governance issues. From this point of view, a Governing Body is a 'sub-committee' of the General Body.

However, quite often people forget this important fact. They start looking at the Governing Body as a power-center. This

changes the perspective of the entire society. Gradually people start looking at Governing Body membership as a position of power. The result of this approach is power struggles and faction-fights.



Power struggles do not take place over nothing. If there are faction-fights in a society, it is likely that there is a pot of honey somewhere. That pot may contain prestige, power or money.

Related AccountAble Issues:

- 60: Regulation of Societies A-D
- 62: Registered Society – 1
- 78: Regulation of Societies G-J
- 79: Regulation of Societies K
- 80: Regulation of Societies M
- 81: Regulation of Societies M-P
- 82: Regulation of Societies R-T
- 83: Regulation of Societies T-W

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