

**Nepal Agriculture Cooperative Central Federation Limited
(Promoted by the Small Farmers)**

**Bye-law
2008**

Nepal Agriculture Cooperative Central Federation Ltd.
(Promoted by the Small Farmers)

Lalitpur's Bye-law, 2008

Bye-law formulated for the operation of Nepal Agriculture Cooperative Central Federation Ltd.
(Promoted by the Small Farmers), Lalitpur, 2008

Preamble

Whereas it is expedient to develop the capacity of the Small Farmers' Agriculture Cooperatives Society Ltd. and other institutions alike for the economic and social development of the small farmers as per the cooperatives principles, and thereby to carry out activities aimed at serving the economic and social development of that particular sector.

And whereas to provide specialized and professional services in those activities which are difficult for the member organizations to manage having arranged the special human resources for that purpose.

This bye-law has been formulated by the opening meet of the member organizations of the Small Farmers' Agriculture Cooperative Central Federation Ltd., held on 2007/12/02 and 2008/01/03 respectively, and pursuant to the decision of the first and second meet of this Federation and in accordance with Clause (D) of Section 12 (3) of the Cooperatives Act, 1992.

Chapter – 1 Preliminary

1. Short Title and Commencement:

- (1) This bye-law may be called as the Nepal Agriculture Cooperative Central Federation Ltd. (Promoted by the Small Farmers), Lalitpur, 2008.
- (2) This bye-law shall come into force immediately after the Registrar's approval.

2. Short Title and Commencement:

- (1) This Federation may be cited as "Nepal Agriculture Cooperative Central Federation Limited (Promoted by the Small Farmers)".
- (2) The Federation shall be situated in Ward No. 3 of the Lalitpur Sub-Metropolis in the Lalitpur district. Any change in address shall be notified to the registering authority within 7 days.

3. Scope of Work: The scope of work of this Federation may be extended to the whole of Nepal.

4. Definition: In this bye-law; unless the subject matter or context otherwise requires:

- (1) 'Members' mean those Small Farmers Agriculture Cooperatives Society/Organizations Limited, and Agriculture Cooperatives Societies aimed at working for the agriculture related Activities, or thematic Agriculture Cooperatives District Federations, or other Cooperatives Societies – all which, having paid the entry fees, acquire the membership pursuant to this bye-law.
- (2) 'Share' means the divided portion of the share capital of the Federation.
- (3) 'Share Certificate' means the confirmation to the Cooperatives Federation or Societies which subscribes to the shares of the Federation.
- (4) 'Director' means the Director of this Federation to be elected pursuant to this bye-law. This term shall connote the Chairperson, Vice-chairperson, Treasurer and other members of the Board of Directors also.
- (5) 'Board' means the Board of Directors of this Federation.
- (6) 'Sub-committees' mean those sub-committees formed by the Federation pursuant to this bye-law for carrying out specific task, and for any designated period also.
- (7) 'Registrar' means the Registrar of the Department of Cooperatives or any other officials designated by her/him.
- (8) 'Act' means the Cooperatives Act, 1992.
- (9) 'Rules' means the Cooperatives Rules, 1993.

(10) 'Bye-law' means the bye-law of the Small Farmers' Agriculture Cooperatives Federation Ltd., Lalitpur, 2008.

(11) 'Concerned Authorities' mean those authorities which, vide this Federation, provide necessary services to the member Societies/Associations.

(12) 'Federation' means Small Farmers' Agriculture Cooperative Central Federation Limited.

(13) 'Society or Association' means a Small Farmers' Agriculture Cooperatives Society, or any other Cooperatives Society, or a District Agriculture Cooperative Federation, registered pursuant to Section 5 of the Act.

5. Federation to be an Organized Entity:

(1) The Federation shall be the self-governed organized entity having a perpetual succession;

(2) There shall be a separate seal for its operation as provisioned in the Annex I;

(3) This seal shall be under the custody of a person designated by the Board of Directors;

(4) The Federation may acquire, use, or otherwise deal with, the movable or immovable properties like an individual;

(5) The Federation can sue and it can be sued against like an individual.

Chapter – 2 Objectives

6. Objectives: The primary objectives of this Federation shall be as under:

- (1) Make representations in national institutions/organizations and other entities, and establish professional relationship with these institutions/organizations;
- (2) Help members in economic and legal problems as well as in matters relating to tax, and help share mutual experiences.
- (3) Provide consultancy and necessary services to the members in auditing and the likes;
- (4) In order to regulate cooperatives' auditing and to adopt guidelines for the particular audit as well as to make cooperatives auditors' job effective, help them and give necessary advise to the members;
- (5) Help members in marketing and management for the goods and services generated by the members, and make an arrangement of the same in Federation as well;
- (6) Extend, as much as possible, the member services to the rural populace;
- (7) Make an arrangement for the replication of Small Farmers' Agriculture Cooperatives, and devise other programs;
- (8) Make an arrangement of different training, seminars, visit and researches for the capacity development of the members, and provide consultancy services to them;
- (9) Conduct training for different agencies levying service charges thereto;
- (10) Provide necessary services for establishing cooperatives-run schools and market, encouraging member organizations and laying emphasis on cooperatives education;
- (11) Perform entire tasks relating to energy, and undertake irrigation and cottage related works;
- (12) In order to extend services to its members, the Federation may enter into agreement with the governmental and non-governmental organizations as well as the banks, and implement the programs per the agreements;
- (13) In order to expand the membership base, provide basic services such as agriculture, health, information and communication, environment and drinking water so as to serve women, children, *dalits* (ethnic group) and the underprivileged;
- (14) Carry out necessary follow-up with the member organizations and advise them time to time; formulate the code of conduct and implement it.

7. Activities:

- (1) Work for the technical assistance needed to manage and drive membership per the cooperatives principles;
- (2) Organize training, seminars, visit, as well as carry out researches studies in order to support members;
- (3) Help members in financial auditing and apprise finance related aspects;
- (4) Where the Federation has to represent on behalf of the member organizations for ensuring the quality and accessibility of the services to be provided to the members by other organizations, select and appoint qualified representative for that matter;
- (5) Work for the fulfillment of the foregoing objectives enumerated under Clause 6 so as to serve the best interest of the members;
- (6) Consider sustainability a main issue of Federation operation, and act accordingly for such activities only which the Federation can afford. Accentuate collaboration with several organizations and institutions for that matter.

Chapter – 3 Objectives

8. Membership: Any society/association which has subscribed at least 1 share of the Federation, and is willing to abide by the bye-law, can become a member of the Federation.

(A) Any Small Farmers' Cooperatives Societies, Agriculture Cooperatives Societies having the sole objective of carrying out the agriculture related works, District Agriculture Cooperatives Societies, Government owned Institutions or agencies may, by making an application and having fulfilled the bye-law's criteria, apply for the membership of this Federation.

9. Eligibility for the Membership: Membership shall be granted on the basis of preliminary assessment, and it may also be denied assigning reasons thereof. In case if membership is denied, a notice to that effect shall have to be furnished without any delay. Such notice shall have to be furnished within three months from the application received. When a letter specifying the denial of membership is received, such decision can be challenged in the form of an appeal within one month from the letter received and in the first General Assembly to be held thereafter. The decision of the General Assembly shall be final in this regard.

10. Entry Fee: In the event of application approved pursuant to Clause 8 of the bye-law, the applicant shall be levied an entry fee of Rs. 500/- plus Rs. 1000/- as membership fee for a year in the beginning, and Rs. 1000/- as an annual fee every year thereafter.

11. Termination of Membership: Membership shall not be maintained under the following circumstances:

- (1) If a member has notified to that effect;
- (2) If a member organization or society has been dissolved (In the event of the dissolution of the member cooperatives society, the membership shall be ipso facto terminated on the same date when it is officially dissolved);
- (3) If the registration of the member organization or society is annulled or expelled;
- (4) If the bye-law is violated time and again;
- (5) If the Federation is dissolved.

12. Membership Resignation:

(1) Any member willing to terminate its membership may do so by tendering a resignation or notifying it to the Board of Directors of the Federation. The membership so terminated shall generally come into effect at the end of the fiscal year.

(2) If a Society or Association whose membership has been terminated pursuant to Sub-Clause (1) is willing to acquire the membership again, application to that effect can be made to the Federation only after a year from such termination.

13. Membership Registration Book: The Board of Directors shall have to maintain a membership registration book specifying the matters as enumerated under Annex-III.

14. Expulsion from the Membership:

(1) Pursuant to the decision of the Board Directors, the membership may be annulled in the following grounds:

(A) If the terms and conditions are violated by the members;

(B) If the duty to be fulfilled to the Federation is not fulfilled by the member despite being cautioned; or if acted against the objectives of the Federation and even after advised or cautioned by the Federation not to do so; or to run any business that is adverse to the spirit of the Federation; and if the Board of Directors realizes that there is a risk or it simply affects the other members if the membership of any particular member organization is continued;

(C) If it is found during the audit that the member has attempted to conceal the negative deeds;

(D) If not promptly acted to rectify the errors identified during the audit or after the recommendation to that effect is made.

(2) The member organizations shall be provided an opportunity of furnishing their clarifications before any decision is reached with regard to the termination. Decision to that effect is taken only after the consultation with the members. Such decision may be taken with immediate effect or subject to the condition of a probationary period of 6 to 12 months.

(3) The notification as to the termination of the membership shall have to be given in writing. An appeal lies in such decision before the General Meeting to be convened immediately. The decision of the General Meeting shall be final in this regard.

(4) The suspended member organizations shall have to clear, by the end of that current fiscal year, all the financial dues owing to the Federation and any other agency represented by the Federation. The suspended member organization whose membership is legally terminated shall

not, from such date when its membership is terminated, be entitled to any services of the Federation.

15. Function, Power and Duties of the Member Association/Society:

(1) The power of the member association/society shall be as prescribed under the bye-law.

(2) The power of the member association/society shall be as under:

(A) Participate in General and Special General Meeting of the Federation, and present resolutions pursuant to the bye-law;

(B) Member association/society may call for the Special General Meeting as prescribed under the bye-law;

(C) Member association/society may seek help of the Federation to obtain and avail advice, audit, training and other services of the concerned authorities to be provided in the comity of the Federation.

(3) The member association/society is obliged to the following:

(A) Shall have to subscribe to at least 1 share worth Rs. 2000/-.

(B) Shall have to pay the membership fee in designated period.

(C) Shall have to pay the fees of Federation availed services in time as per the rules of the Federation.

(D) Shall have to abide by the rules propounded under the bye-law, and follow the decisions of the Committees, Sub-committees and other entities formed pursuant to the bye-law.

(E) Shall have to, as required pursuant to the notice of the Federation, furnish the annual financial details, transaction details and all other information without any delay.

(F) Shall have to fulfill the entire obligation and conditions arising out pursuant to the Act and Rules, and rectify the error identified during the audit as well as inform the Federation immediately on that.

(G) Inform and secure the participation of the Federation in the General and Special General Meeting.

(H) Shall have to notify the amendment being made to the bye-law; submit the minutes of the General Meeting without any delay; notify any basic deviation being made in the principles; and bring to the notice of the Federation the intention, if any, of the dissolution or the merger.

(I) Shall have to take no actions against any other member organization of the Federation for the sake of fulfilling own interests.

(J) Shall have to help implement the function and duties of the Federation as well as the Federation-formed agencies.

(K) In order to promote the entire activities of the Federation, shall have to avail the services of the Federation as well as the other agencies which helps the Federation on this.

(4) No interest shall be earned on share as well as the annual membership fee by the member society/association. The share amount to be returned shall be reimbursed after 6 months of the approval on the renunciation of membership.

Chapter – 4 Share Capital

16. Provision on Fund: Pursuant to the objectives of the bye-law of this Federation, the fund of the Federation shall be raised as following:

- (1) Entry fee;
- (2) Shares;
- (3) Earning from the transaction;
- (4) Assistance of other agencies;
- (5) Donation;
- (6) Financial grant of different agencies;
- (7) Other membership fee.

17. Share Capital:

- (1) For the purpose of raising the capital for the Federation, as many as 500 shares with the value of Rs. 1000/- for every share shall be issued.
- (2) Members can subscribe to any number of shares but not exceeding 1/5 of the total paid-up share capital of the Federation.

18. Share Certificate: A share certificate, in which the seal of the Federation is affixed, shall be issued in lieu of the shares subscribed to. A new share certificate can be obtained having paid up Rs. 200/- in case if the same is lost or destroyed.

19. Transfer or Return of Shares: 1) In the event of the termination of membership, the amount invested in the Federation by procuring shares shall be returned after the latest fiscal year's account is appraised.

(2) The transfer of shares shall be done by the Federation in accordance with the Clause 8 of the Cooperatives Rules.

20. Liability: 1) The liability of the members shall be limited to the number of shares procured. Such liability shall commence after the membership is acquired and remain till such period when the share amount is returned after six months of the termination of membership; and,

(2) It shall be the obligation of all the members to abide by the bye-law of the Federation.

Chapter – 5

General Meeting

The General Meeting shall mean the Annual General Meeting, the Special General Meeting and the Elementary General Meeting also.

21. Elementary General Meeting:

- (1) The Elementary General Meeting shall be convened within three months of the registration of Federation.
- (2) In the event of non-calling of the Elementary General Meeting pursuant to Clause (1), an application to that effect is made to the registering authority thereby invoking the Elementary General Meeting pursuant to the Cooperatives Act and Rules.
- (3) The quorum of the Elementary General Meeting shall be considered as fulfilled if 50 percent representatives of the total member organizations are present.
- (4) The Elementary General Meeting shall perform the following tasks:
 - (A) Elect the Chair of the Meeting.
 - (B) Get appraised, up till the previous day, of the activities and the account of the Federation.
 - (C) Deliberate on the preliminary resolutions presented in the meeting, and deliver instructions.
 - (D) Elect the Committees and Sub-committees as prescribed under the bye-law.

22. General Meeting:

- (1) There shall be a General Assembly comprising of the entire member representatives of the Federation. The General Assembly shall be the apex body for the entire matters of the Federation. This Meeting shall have to be convened within 6 months after the completion of each fiscal year. This Meeting shall be responsible for the election of different Committees.
- (2) Meeting to be convened: In order to call the Annual General Meeting, the Board of Directors shall have to serve four weeks prior a notice specifying the venue, time and the agenda of the discussion in the Meeting.
- (3) Quorum: The proceeding can be initiated only if 50 percent of the total members are present in the General Meeting. In the event of lack of quorum, next General Meeting shall be called within six weeks.

(4) The Chairperson of the Board of Directors shall preside over the Annual General Meeting. The Vice-chairperson in the absence of the Chairperson, and the senior member, if the Vice-chairperson too is not available, shall preside over the Meeting.

(5) Member representatives having the written authority of voting can only cast the vote. A record of the decision reached at the General Meeting shall have to be maintained in writing. A person designated by the General Meeting shall append the signature in it.

(6) A decision can be reached at by fulfilling the process as required by the Federation. Such decision shall have to be accepted by the General Meeting.

(7) Decisions are generally arrived at unanimously. However, if no unanimous decision can be made then the majority decision shall prevail. The concerned representatives can exercise voting rights after furnishing a letter which specifies their authority.

(8) Every member organization, which has procured share, can nominate a maximum of 1 representative for the General Meeting.

(9) Every member(s), except the Board and the Account Committee, may present their resolution as an agenda in the General Meeting. While presenting the resolutions in the General Meetings, every minute detail shall have to be incorporated in each resolution and be forwarded to the Board of Directors 2 weeks prior to the meeting held. Such resolution shall have to be seconded by at least one other member with the signature appended to it, and be submitted addressing the Board of Directors. The details shall have to be shared in writing with the member organizations. Any additional resolutions coming out after that shall be incorporated in the agenda of the General Meeting if the Board of Directors deems it fit to do so. However, the process itself shall not be discussed in the General Meeting.

23. Special General Meeting: The Special General Meeting shall be convened without any delay under the following circumstances:

(1) If the Board of Directors, Account Committee or the Federation deems it extremely essential;

(2) If 20 percent members from among the member cooperatives so demand in writing;

(3) The concerned authority represented by the Federation, by adequately assigning reasons thereof, makes a formal request to that effect.

24. Function, Power and Duties of the General Meeting:

(1) The assembly of the entire member representatives of this Federation shall be called as the General Meeting. The General Meeting shall be the apex body for the entire matters of the Federation.

(2) The General Meeting shall be normally responsible for making the following decisions:

- (A) Making an amendment to the bye-law.
- (B) Electing the office bearers of the Board of Directors and the Account Committee or terminating them.
- (C) Felicitating the members of the Board of Directors.
- (D) Approving annual financial details, and terminating the office bearers of the Board of Directors and the Account Committee from their posts.
- (E) Making decisions on the activities carried out by the Board of Directors and the Accounts Committee.
- (F) Making decision on annual programs and budget.
- (G) Making an amendment to the shares and the annual fee.
- (H) Initiating discussion on the resolutions presented by the members pursuant to the bye-law.
- (I) Initiating discussion, and making a decision thereto, in relation to the dissolution, merger or separation of the Federation.

(3) The guidelines prepared for facilitating the audit of the member organizations and the performance evaluation of the auditors as well as the audit report shall not be the subject matter of perusal in the General Meeting.

(4) A resolution with regard to the amendment of the bye-law shall be made only on the following grounds:

- (A) 2 years time has been elapsed since the enforcement of the previous bye-law.
- (B) The proposal as to the amendment has been integrated into the resolution itself.
- (C) Resolution presented is accepted by the two third majority of the members.

(5) A decision as to the dissolution or merger of the Federation can be taken only on the following grounds:

- (A) If this topic is covered under the agenda of General Meeting itself.
- (B) If the two third majority of the members have accepted the resolution.

Chapter – 6

Board of Directors

25. Board of Directors: There shall be 1 Chairperson, 1 Vice-chairperson, 1 Secretary, 1 Treasurer and 11 Members in the Board of Directors composed of a total of 15 person. The Board of Directors shall be responsible for the management of the Federation. The Board of Directors is elected by the General Meeting for a period of 5 years.

26. Chairperson and Vice-chairperson also to be elected by the General Meeting: In order to qualify as a candidate for the Chairperson and Vice-chairperson, such representatives shall have to be selected as members first.

27. The elected members of the Board of Directors may be removed from the post any time. In order to do this, 5% of the member cooperatives societies have to make a formal request of removal which the General Meeting has to endorse through taking a decision to that effect. Similarly, the member concerned shall ipso facto be removed if the Board of Directors has decided to recall such member.

28. Condition for not being eligible to maintain the post of Director: No Director shall remain in the post on the following grounds:

- (A) If no more a member of the Society or the Federation.
- (B) If mentally retarded.
- (C) If convicted in a corruption charge.
- (D) If found to be indulged in misappropriation.
- (E) In the event of death.
- (F) If remained absent in 3 consecutive meetings without any notice.
- (G) If repay deadline is already elapsed of such loan taken from the society for which the representation is being made.

29. Meeting of the Board of Directors:

(1) There shall be no interval exceeding 90 days for two meetings of the Board of Directors. The Secretary shall, pursuant to the instruction of the Chairperson, call the meeting in the designated date, venue and time.

(2) A decision can be reached at in any agenda discussed so far even in such meetings wherein the Chairperson or the Vice-chairperson are absent, but the quorum of 50 percent is constituted.

(3) If any Director remains absent in the Board Meetings for three consecutive times then the Board of Directors may issue directives to the society concerned or the representatives of the Federation for removing such Director and to nominate another member for that purpose.

30. Oath Taking: The members elected to the Board of Directors and other Committees shall have to take oath before the General Meeting as prescribed under Annex II.

31. Function, Power and Duties of the Board of Directors:

(1) The Board of Directors shall have to manage the activities of the Federation. The office bearers, while performing their tasks, shall have to be extra cautious in abiding by the Cooperatives Act, Rules and this bye-law as well as the decisions of the Board of Directors and Committees. Similarly, it is the duty of the Board of Directors to abide by the rules and policies propounded by the members making representation in the Federation.

(2) The Board of Directors shall have to perform the following tasks, in particular:

(A) Safeguard the interests of the Federation and its members.

(B) Carry out daily activities.

(C) Represent the Federation.

(D) Follow the internal and external audit report of the Federation.

(E) Determine the service charge to be levied to the members.

(F) Appoint and terminate the staff. Staff can be recruited only after considering sustainability issue and determining the workload whether the appointed staff has adequate task to perform.

(G) Prepare resolutions for giving an entry to the new members.

(H) Do the necessary follow-up on whether members are fulfilling their duties.

(I) Call the General Meeting and set the agenda thereto.

(J) Prepare budget for the next year, and submit the financial details of the previous year.

(K) Submit details as to audit related activities before the General Meeting and in the Accounts Committee. Furthermore, perform own task as well as present professional details also.

(L) Form and dissolve the Sub-committees.

(M) Perform all other activities in order to carry out the objectives of the Federation.

(3) The Board of Director may delegate its powers to the manager and other concerned authorities in order to create a momentum to the Federation provided services.

(4) The Board of Directors may act as a mediator between concerned agency and member organizations for providing much effective services to the member societies/association. For this

purpose, dialogue shall be initiated with the concerned agencies and rules and regulations followed.

32. Function, Power and Duties of the Office Bearers:

(1) Function, Power and Duties of the Chairperson:

(A) Preside over the meeting of General Assembly and Board of Directors.

(B) Oversee, safeguard and take control of the movable and immovable properties of the Federation.

(C) Make work division of the office bearers and members, deliver instructions and approve resignation.

(D) Represent the Federation in other societies/association as per the necessity and in relation to the activities of the members.

(E) Provide leadership to the Federation, and be active forever for that reason.

(F) Perform all other necessary tasks to carry out the objectives of the Federation.

(2) Function, Power and Duties of the Vice-chairperson:

(A) Help Chairperson in her/his work.

(B) Perform delegated (in writing) or designated task of the Chairperson.

(C) Perform entire tasks of the Chairperson in her/his absence.

(3) Function, Power and Duties of the Secretary:

(A) Call the meetings of General Assembly and Board of Directors per the instruction of the Chairperson.

(B) Implement and encourage others to implement the decisions of the General Meeting and the meeting of the Board of Directors.

(C) Prepare the agenda for the meetings of the General Assembly and the Board of Directors, publish notices, maintain minutes and inform member organizations about this.

(D) Perform others task as designated by the Chairperson.

(4) Function, Power and Duties of the Treasurer:

(A) Take responsibility of the financial transaction of the Federation.

(B) Act for keeping the account of the Federation intact.

(C) Oversee, take control of, and provide instructions on, the financial transaction of the Federation.

(D) Perform all other necessary tasks for serving the interest, and carrying out the objectives, of the Federation.

33. Decision Making Process:

(1) 51% of the member organizations shall have to be present as quorum in the meeting of the Board of Directors in order to take any decision.

(2) The decision of the Board of Directors shall be made on the basis of majority of present members.

(3) The decision of the Board of Directors shall be made serially. The signature of the members shall be mandatory for any decisions made.

34. Formation of Sub-committee and Procedures: In order to conduct the Federation work unhindered, or to carry out the special task, several Sub-committees may be formed. The terms of references thereto shall be so determined as to carry out the objectives of such Sub-committees.

35. Accounts Committee:

(1) There shall be an Account Committee comprised of 3 members including a coordinator elected by the General Meeting. The representation of the members of Accounts Committee shall be made taking into account the geographical considerations.

(2) The candidacy as a member of the Accounts Committee shall be filed in the following conditions:

(A) While filing candidacy, shall have the experience of a minimum of 3 years as the member of the main committee of the member organizations.

(B) The candidacy shall have to be filed in written to the Board of Directors prior to at least 2 weeks from the General Meeting held.

(C) The candidacy shall have to be seconded by at least 2 members.

(D) Every member can second the candidacy of 2 persons only.

(3) There shall be a confidential voting system. The General Meeting may formulate special rules for electing the Accounts Committee.

(4) A member shall be elected on the basis of majority of the valid votes in the election.

(5) The term of the Accounts Committee shall be of 5 years. In case if any seats fall vacant prior to the term, such vacancy shall be fulfilled by the General Meeting for the remaining period only.

(6) The members of the Accounts Committee shall not be the member of the Board of Directors in single term.

36. Procedure for Meetings of Accounts Committee and Decision Making Process:

(1) The coordinator and the remaining 2 members of the Accounts Committee shall be appointed by the General Meeting.

(2) The quorum for the Accounts Committee meetings shall be constituted with the presence of two third members.

(3) The members of the Board of Directors may participate in the meetings of the Accounts Committee on its special invitation.

(4) Any resolution shall be ratified by the Accounts Committee only on the basis of two third majority of valid votes.

(5) If the Accounts Committee meeting has to discuss on any member of the Board of Directors or the Accounts Committee itself then such member whose issue is being discussed shall not take part in the said meeting. However, the opinion of such member shall be presented in the meeting prior to the voting. The entire decisions of the Accounts Committee shall have to be recorded as minute in which the coordinator and a member have to append the signature. The copies of the meeting minutes may be made available to the every member of the Accounts Committee.

37. Function and Duties of the Accounts Committee: The Accounts Committee shall be obliged to the following:

(1) Carry out own functions smoothly, and help the Directors of the Federation in programmatic follow-up and present recommendations.

(2) Carry out a supplementary audit of the financial report and the budget prepared by the Board of Directors; prepare and submit a report to the General Meeting incorporating the facts identified during the inspection.

(3) Conduct internal audit of the Federation regularly.

38. The Joint Meeting of the Accounts Committee and the Board of Directors, and Joint Decisions:

(1) In the event of a formal request of a joint meeting by the majority members of both the Accounts Committee and the Board of Directors, such meeting shall be convened. The joint decisions shall be taken after such joint meeting. However, the voting in these meetings shall be done separately.

(2) The joint decision shall be essential in following matters:

(A) With regard to appoint and terminate the staff. However, the Board of Directors shall have the direct responsibility on this.

(B) In order to adjust or determine the annual fee before such resolution is presented to the General Meeting.

(C) In order to amend or make insertions in the guidelines relating to audit, or to make recommendations.

Chapter – 7 **Members' Audit**

39. Audit Activities of the Members:

- (1) Help and make the necessary arrangement to perform the members' audit by the Federation itself or other concerned authority in accordance to the prevalent laws and departmental rules as well as the internal rules of the Federation.
- (2) The auditors shall have to perform their duties without the influence of any quarter. The auditors shall have to be independent. In an event whereby the independence of the auditor cannot be ensured, and there is a chance of auditor favoring a particular side, then no responsibility shall be entrusted to such auditors.
- (3) In case if no independent auditor can be chosen for the above-mentioned reasons, the Federation may arrange other auditors for the members' audit.
- (4) The confidentiality of all the information, acquired during the audit, shall have to be maintained. The entire staff of the Federation shall also be obliged on this. This confidentiality requirement shall be extended to the other committees of the Federation. The committees of the Federation shall also be responsible as per the bye-law.
- (5) Such activities shall be arranged coordinating with the concerned agencies also.

40. Auditors:

- (1) The auditors so managed, the cooperatives auditors shall have to be professional experts enrolled under the Office of the Auditor General. For this purpose, the auditors shall possess adequate knowledge on trade economics, taxation, law, tools and method of the audit and the cooperatives science.
- (2) The Board of Directors may, by coordinating with the Board of Directors of the member societies/association, enter into an agreement with the auditors on a permanent basis, or for the timely requirement, or subject to the condition.
- (3) Anyone who is involved in the audit as the member or a staff since last 3 years shall not be eligible to take up the responsibility of an auditor.
- (4) No auditors shall be appointed for more than 3 consecutive responsibilities. Her/his appointment and remuneration shall be determined by the Board of Directors of the Federation in the consultation with the member organizations.

41. Types of Audit and Their Goals:

(1) The goal of the audit has been the internal development of the member organizations as well as to improve their economic status. Hence it is aimed at conducting or helping to conduct financial and management audit.

(2) The financial audit shall be generally conducted on an annual basis within 3 months of the completion of fiscal year. The appropriate time for discussion between the Federation and the member organization shall be determined for this purpose.

(3) The management audit shall be conducted any time on special demand of the member organizations, and financial audit may also be conducted simultaneously. In order to conduct the management audit, coordination among other association or societies shall be maintained so as to formulate the standards thereto. Cooperation in this regard may, thus, be extended to concerned organizations or agencies which avail the services.

(4) Management audit shall have to focus on following:

- Legal and economic matters;
- Business transactions;
- Activities of the staff and the Board of Directors;
- Managerial activities;
- Member management;
- Organizations and their Committees and Sub-committees;
- Financial condition and other approved matters;
- Audit report, progress report, Account of profit and loss, and professional report.

42. Process of Financial Audit and Audit Report:

(1) Upon request of an auditor, member organizations shall be obliged to present the entire vouchers and documents for audit. For this purpose, assistance shall be made to examine the deposits, and information with regard to audit disseminated.

(2) Upon completion of an audit, the auditor shall have to discuss the major findings with the concerned Board of Directors or the Accounts Committee.

(3) The auditor may submit the Federation signed audit report to the concerned Accounts Committee also.

(4) The audit report shall be discussed in the Accounts Committee, in the Board of Directors and in the joint meetings of the concerned member. For this, 2 week's prior notice has to be served.

The representative of the Federation shall be entitled to take part in such meetings. The copy of the minute, along with the implementation process proposed by the auditor, shall have to be immediately shared to the Federation.

(5) The Federation inputs shall be incorporated under the recommendation portion of the audit report.

(6) The Federation shall have the right to call the Special General Meeting of the concerned society/association if it realizes that different decisions are reached at than in the audit report, or if the General Meeting deems that major findings of the audit report were not appropriately presented. The entire expense of such Special General Meeting shall be borne by the member organization itself.

(7) Who shall preside over in such Special General Meeting shall be as determined by the Federation.

43. Provision Relating to Staff:

(1) The Board of Directors shall appoint the General Manager for the operation of Federation. An administrative manual shall be formulated and implemented for the recruitment of other staff.

44. Regulatory Arrangement: The Federation shall conduct the regular follow-up and issue recommendations for promoting the interests of its member organizations. For this purpose, a separate monitoring manual shall be formulated and enforced. For member organizations, the code of conduct shall be formulated and implemented.

45. Fund Custody: The Federation fund shall be under the custody of the General Manager. Cash flow shall be as determined by the Board of Directors whereas other funds shall be managed opening an account in the bank.

46. Utilization of Funds: The Federation fund shall be utilized in accordance with the guidelines of the General Meeting or through approved professional plan.

Federation Account and Profit and Loss Allocation

Chapter – 8

Financial Matters

47. Federation Managed Account and Registration Book:

- (1) Member Registration Book pursuant to Clause 13.
- (2) Separate minutes of the Elementary General Meeting, Special General Meeting, Committees and Sub-committees.
- (3) Cash Account.
- (4) Transaction record, if any, of Federation transaction with a person or organizations.
- (5) Share Registration Book
- (6) Commodity Registration Book
- (7) Income, expenditure, assets and liability record.

48. Fiscal Year:

- (1) The transaction year means the fiscal year. The fiscal year of the Federation shall commence on *Shrawan* 1 and remain up till the *Ashadh*-end of the following year.
- (2) It shall be the responsibility of the Board of Directors to maintain accounts as per the legal requirement. The annual financial report shall have to be prepared within 6 months of the following year and submitted to the Accounts Committee. Such financial report shall have to be audited by the Accounts Committee, and the major findings of the audit have to be presented in the General Meeting.
- (3) The Board of Directors shall have to prepare budget of every fiscal year, and the same has to be presented in the General Meeting for approval.

49. Profit Sharing:

- (1) Upon each fiscal year's audit of the Federation, 25% of the net income earned shall be deposited in the reserve fund.
- (2) Remaining 75% shall be treated as cent percent and divided into several funds as under:
 - (A) Share Bonus Fund: The amount to be deposited under this fund shall not exceed 20%, and bonus disbursement shall not be more than 15% of the paid-up share capital.

(B) Preserved Capital Fund: 15%.

(C) Staff Bonus Fund: 10%

(D) Organization/Cooperatives Development Fund: Cooperatives Education Fund: 20%

(E) Loss Recovery Fund: 15%

(3) The amount to be deposited in other Funds except the Share Bonus Fund shall be as determined by the General Meeting.

(4) Pursuant to the decision of the Board of Directors, and in accordance with the guidelines of the General Meeting, the funds of the Federation shall generally be utilized for Federation approved programs or business and to the procurement of fixed asset for the Federation.

50. Loss Recovery Arrangement:

(1) Loss shall be recovered through the Loss Recovery Fund.

(2) The utilization of Reserve Fund shall be as determined by the General Meeting.

Chapter – 9
Audit of the Federation

51. Audit and Account Check:

(1) The audit of the Federation shall be done by the registered auditor enrolled under the Office of the Auditor General. Such auditors shall have to obtain approval from the Department of Cooperatives. The Board of Directors shall appoint the auditor. Audit shall be done within 3 months of the completion of each fiscal year.

(2) The audit report of the member societies/associations shall not affect the audit of this Federation.

(3) The facts known by auditors or other person during audit, which has the direct bearing with the audit of the member organizations with regard to the results, information, data, and facts, shall have to be kept confidential.

(4) The appointment of an auditor and her/his remuneration shall be as prescribed by the General Meeting of the Federation.

(5) No auditor can do the audit of the Federation for more than 3 consecutive occasions.

Chapter – 10

Election

52. The election of the Federation shall be held with due respect to democracy as well as the unanimity. In the event of no unanimity, election process shall be followed. Election shall be held in following situations:

- (1) Before 1 month of the completion of term of the office bearers.
- (2) If office bearers are recalled.
- (3) In case if no election held even after the expiry of term, the Registrar may perform election.
- (4) The erstwhile office bearers shall act for such period until new election held.
- (5) As many as 11 persons including the Chairperson, Vice-chairperson, Secretary, Treasurer and 7 Members shall be elected. Persons making special contribution, women and *Dalit* shall be nominated as advisors on the basis of regional representation system.
- (6) Election shall be held in a democratic manner and as prescribed by the Election Committee.

Chapter – 11

Closure or Dissolution

53. Provision Relating to Mediation:

- (1) In case of any dispute between the member organizations, the Federation may provide mediation involving 1 each representative of the disputing organizations and 1 representative from the Federation itself so as to resolve such disputes.
- (2) In the event of the dispute between the Federation and member organization, such dispute shall be mediated involving 1 each representative of the disputing parties and a representative of the Registrar.
- (3) The presence of the representatives – the representative of the Federation whereby Federation itself is involved in mediation, and the representative of the Registrar when mediation is being done by the Registrar himself – shall be mandatory in the meetings relating to mediation.
- (4) While resolving the dispute through mediation, two third votes shall be the basis for reaching to the decision.

54. Amendment to the Bye-law: In case if any amendment has to be made to this bye-law, such amendment shall be done by the two third majority of such General Meeting wherein 51 (fifty-one) percent of the total members of the Federation are present.

55. Closure or Dissolution of the Federation:

- (1) If there is any plan to dissolve the federation then the General Meeting shall have to be called within six weeks of such decision made. The General Meeting shall, having fulfilled the legal requirement, take the decision on dissolution.
- (2) The dissolution, and allocation of assets, shall be made and managed as according to law.
- (3) If any provisions of this bye-law is in contradiction to the cooperatives principles and the Cooperatives Act and Rules, such provisions shall ipso facto be void to the extent they are contrary. Furthermore, the Cooperatives Act, Rules and other prevalent laws shall prevail in those matters which are not mentioned under this bye-law.

56. Miscellaneous:

(1) Small Farmers Development Program Implementation Policy and Procedures to be formulated pursuant to this bye-law shall be formulated by the Board of Directors and endorsed by the General Meeting.

(2) The General Meeting shall delegate its power to the Board of Directors for performing the entire tasks to carry out the objectives of the Federation in accordance to this bye-law.

(3) It is the duty of the member organizations to enforce the code of conduct formulated by the Federation pursuant to this bye-law.

(4) District level associations and the member organizations shall be subordinate to them Federation.

The translation copy is true and verified

Signature: 

Name: Kamal Pokharel

Date: 1 August, 2012

Certificate No: 1580

Certificate Expiry Date: 10 May, 2013

Seal of the Notary Public.

