

MINISTRY PAPER NO: _____

PERFORMANCE OF THE DEPARTMENT OF CO-OPERATIVES AND FRIENDLY SOCIETIES FOR FINANCIAL YEAR 2003/2004 AND FOCUS FOR FINANCIAL YEAR 2004/2005

1.0 Purpose of Ministry Paper

This Ministry Paper is intended to provide highlights of the performance of the Department of Co-operatives and Friendly Societies during the 2002/2003 Financial Year and the policies, main focus and strategies for achieving targets for the 2004/2005 Financial Year.

2.0 Roles and Functions

2.1 Mission Statement

“To contribute to the social and economic development of the nation by facilitating the establishment and regulation of Co-operatives and Friendly Societies as viable business alternatives and effective social organizations, and protecting the stakeholders’ interests.”

2.2 Vision Statement

“To be transformed to position Co-operatives and Friendly Societies as vibrant and viable institutions within Jamaica’s socio-economic development by 2018.”

2.3 Functions

The Department of Co-operative and Friendly Societies, an agency within the Ministry of Commerce, Science and Technology (MCST), has the responsibility for administering the Co-operative Societies Act and the Friendly Societies Act and their respective regulations. The Department regulates and supervises credit unions, as well as agricultural, benevolent, friendly and fourteen (14) other types of producers and service societies. It also plays the important role of ensuring stability in the Co-operatives and Friendly Societies Movements which totals six hundred and sixteen (616) societies (consisting of 235 co-operatives and 381 friendly & benevolent societies) with a membership of approximately one million (1,000,000) individuals.

The mandate of the Department is to ensure the safety of the assets of societies, protection of members' savings and investments, and other stakeholders' interests. Its functions include:-

- Registration of societies and their rules
- Inspection and supervision
- Annual audits and investigations
- Arbitrations
- Inquiries
- Suspension of registration
- Cancellation
- Dissolution

In addition, the Department monitors and assists the development of the movements in keeping with Government's policies.

The functions of the Department are carried out through the following programmes:

- (a) **Inspection:** Inspects the affairs of co-operatives and friendly societies with a view to ensuring compliance with the Acts, Regulations, Rules and sound business practices.
- (b) **Audit and Investigations:** Audits the accounts, systems and procedures of all registered societies annually and investigates all reported incidents of fraud or misappropriation in these societies.
- (c) **Research, Training and Development:** Spearheads training, promotion, development, research and planning for the co-operative societies and friendly societies.

3.0 Highlights of Performance/ Achievements for 2003/2004

Activities	Societies	
	Achievements	Targets
Audits	104 for 140 years	135 for 258
Inspection	57	70
Pre-Audit Checks	81	70
Liquidations	2	10
Technical Support & Business Counseling	244	105
Training (persons)	496	390
Group Organization/Supervision	29	38
Development Planning	31	21
Appraisal of Rules	32	20
Feasibility Assessment	12	15
Development of Models and System	2	8
Special Projects	4	3
Settlement of disputes	69 cases involving \$30M	120 cases involving \$85M
Cancellation of Registration	18	15
Registration	12	20

3.1 Special Activities

- (i) Revision of the Co-operative Societies Act and Regulations. The legal team of the Ministry is currently reviewing draft copy of the revised Co-operative Societies Act. Further collaboration and consultation will be effected with representatives of friendly and benevolent societies to elicit their input to changes to the Friendly Societies Act.
- (ii) The Department's website is fully functional and plans are underway for in-house maintenance of the site.
- (iii) Annual Essay competition in high schools introduces young persons to the advantages of co-operating, the fundamentals of managing a business, and assists in fostering a regional co-operative relationship (past winners have traveled to school co-operatives in Trinidad and St. Lucia).
- (iv) The Co-operative of the Year and Volunteer of the Year competitions encourage groups and individuals within the Movement to strive for excellence.
- (v) Collaboration with schools and youth groups to establish youth co-operatives within schools, police youth clubs and the 4H Movement.

- (vi) Display booth highlighting the Department and selected co-operatives at the annual Denbigh agricultural show.

4.0 Challenges

The Department of Co-operatives and Friendly Societies experienced the following challenges which impacted adversely on achievement of its targets during the review year.

- (a) Difficulty in locating some friendly societies as their addresses are often changed without the Department being advised. Furthermore, the officers of those societies often do not make themselves available for queries and presentation of records for inspection.
- (b) Tardiness of producer and services co-operatives in responding to measures aimed at improving their financial viability and effectiveness.
- (c) Poor record keeping and absence of adequate systems and producers at services co-operatives.

5.0 Focus for 2004/05 Financial Year

- (i) Ensure timely completion of financial audits to prevent delays in convening annual general meetings, so enabling more effective member participation in societies' decision-making processes.
- (ii) Provide technical assistance to the credit union movement by way of institutional strengthening and modernization of legal framework and policies. This to facilitate impending changes relating to the supervision of credit unions by the Bank of Jamaica.
- (iii) Assess financial transactions/status and management systems of societies on a timelier basis, highlighting weaknesses and allowing for early correction before they become chronic, and ensuring adequacy and transparency of internal control systems.
- (iv) Intensify the ongoing drive to improve awareness of functions and responsibilities of directors, staff and members of societies, through training, technical advice and overhauling of management systems.
- (v) Facilitate implementation of prudent policies for co-operatives to allow for soundness and transparency in management, and encourage their growth and development.

- (vi) Foster establishment of, and adherence to, prudential and financial standards in societies so as to instill greater confidence in the Movement on the part of the membership and the general public.
- (vii) Exert increased pressure on Boards of Directors and managements of societies to ensure increased compliance in general and timely submission of quarterly and annual returns in particular.
- (viii) Intensify the public education drive through public exhibitions, competitions among co-operatives, essay competitions among high schools and establishment of co-operative-like entities in educational institutions and youth clubs.
- (ix) Continue to provide technical support to facilitate mergers/transfers of engagement of financially weak co-operatives with more viable entities.
- (x) Rid the register of dormant and inefficiently managed societies. Provide institutional strengthening programs where feasible and cancellation of societies' registration whenever necessary.
- (xi) Improve the Information, and Communication Technology (ICT) capacity of the Department to improve efficiency.

6.0 Summary of Major Targets for 2004/2005 Financial Year

POLICIES	OBJECTIVES	STRATEGIES	PERFORMANCE TARGETS
Facilitate annual audits for reviewing of societies' performance by their members.	Completion of financial audits as required by Act.	Application of audit techniques and assessment of financial performance. Tabulation of financial report and statement.	Audits available for 273 years for 115 Societies.
Regulation and supervision of societies through administration of the Acts.	Ensure continuous compliance by management/ volunteers in the conduct of societies' affairs.	Conduct on-site inspections and off-site assessment into all areas of societies' activities.	Completion of detailed reports outlining findings and recommendations regarding the activities of 58 societies. Examination of financial and legal returns for 58 societies. Conduct pre-audit checks into 69 societies.
Regulation and supervision of societies through administration of the Acts.	Removal of non-performing societies from the Register.	Review status of societies that are in breach of the Act; recommend and facilitate a process for conducting enquiries and liquidation or resuscitation.	Sixteen (16) societies' registrations cancelled and/or societies resuscitated.
Settlement of disputes between members and their societies through the process of arbitration.	Facilitate settlement of disputes within societies.	Receive applications and complaints from aggrieved parties; appoint arbitrators.	Settlement of 80 cases involving \$40 M in claims.

POLICIES	OBJECTIVES	STRATEGIES	PERFORMANCE TARGETS
Facilitate Modernization of legal statutes.	Modernization of legal framework.	Facilitate amendments to Co-op Societies Act and Regulations, and Societies Rules.	Revision of co-operative societies legislations. Amendment to the rules of 55 Societies.
Intensify programmes for training and system development in societies through technical support.	Ensure implementation of standardized document for transparency in management of societies	Business counseling, training seminars and development of specific models and systems to enhance operations	Feasibility assessment of 30 societies to ascertain viability. Five hundred and twenty (520) persons to receive specialized training to better manage their societies' affairs. Technical advice to Boards of Directors within 105 Societies to improve efficiency and viability.
Facilitate the registration of viable co-operatives and socially acceptable friendly societies.	To enhance competitiveness through employment creation, income generation, foreign exchange earnings and import substitution.	Vetting of rules, feasibility assessment of business/project proposals, training and supervision of group members.	Registration of 30 groups as legal entities under the relevant acts.
Computerization of activities of the Department.	Faster and more efficient network facility for the Department and movement.	<ul style="list-style-type: none"> - Acquire additional computers and software. - Maintain website. 	Full integration of Department's computers with interactive website offering online training and information.

7.0 Estimates for 2004/2005 Financial Year

Table 7.1: The Budget for 2004/05

Categories of Expenditure	04/05
Compensation of Employees	31266
Travel Expenses and Subsistence	5324
Rental of Property	408
Public Utility Service	984
Purchase of Goods & Services	1451
Purchase of Capital Goods	373
Total	39806

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