

## Quick roundup of recent employment law changes

In late 2004, the Employment Relations Amendment Act (No. 2) 2004 was introduced and some other employment statutes were amended, resulting in important changes in employers obligations towards their employees. For your information, noted below is a snapshot of the more significant changes.

**Employment Protection Provision clause** - An Employment Protection Provision (EPP) clause detailing an employee's entitlements in the event of a sale, transfer, or contracting out of a business must be included in employment agreements for all employees hired from 1 December 2004. For existing employees, the EPP clause must be included in their agreement at the earlier of 1 December 2005 or when the business is next restructured. Note that the EPP is different to existing technical redundancy clauses.

**Working on a public holiday** - In accordance with the Holidays Act 2003, all employment agreements (including those for casual employees, fixed term employees, salaried employees etc) must, by 1 April 2005, be updated to contain a provision advising employees of their entitlement to higher rates of pay (time and a half) for working on a public holiday. There are provisions to also receive a paid day off in lieu.

**Parental leave** - From 1 December 2004, employees now qualify for 13 weeks (previously 12 weeks) of Government paid parental leave after 6 months continuous service (previously 12 months service).

**Clean Slate Act** - On 29 November 2004, the Criminal Records (Clean Slate) Act 2004 came into force. The Act allows individuals with less serious convictions to put their past behind them provided they have been conviction free for at least seven years. You will need to be aware of the limitations, when interviewing a prospective employee, on questions relating to prior criminal convictions.

## Former charity commissioner joins Grant Thornton in the UK

Grant Thornton in the United Kingdom has appointed former charity commissioner David Taylor to its charities and not-for-profit group in the UK.

Taylor spent five years at the commission, and has also held a number of high-profile positions, including deputy chief executive and director of finance at WWF-UK.

Taylor said he had been impressed by Grant Thornton's 'commitment to the charity sector' and that he was 'delighted' to be joining the team.

'Charities face a challenging time with recent and anticipated changes in governance and accounting placing demands on their resources,' he said.

'I aim to help Grant Thornton's clients achieve best practice in these areas. I am also a strong supporter of trustee boards with a balance of skills and of high quality and so was delighted when Grant Thornton set up the charity business exchange. I look forward to helping to develop this initiative.'

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# assurance adviser

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## Treasurer's Duties for Not for Profit Organisations

Grant Thornton has just completed a roadshow with the New Zealand Institute of Chartered Accountants on Treasurer's Duties for Not for Profit Organisations. The roadshow was well attended by the Not for Profit sector.

Grant Thornton is proud to support and service the Not for Profit sector.

## 2005 Not for Profit Sector Survey

The Grant Thornton 2005 Not for Profit Survey has been carried out and is being compiled into a report. The report will be posted to those who completed the questionnaire and returned it with contact details. The report will be ready in late November.

Download a copy of the report from our website [www.grantthornton.co.nz](http://www.grantthornton.co.nz) or email: [info@wn.gtnz.co.nz](mailto:info@wn.gtnz.co.nz).

## Beyond the numbers: Performance measures show organisations the big picture

Your organisation has a mission, a vision and goals. But, does it have performance measures in place to ensure that the organisation is meeting goals to deliver on the mission and vision? If the answer is no, it might be time to take a look at how your organisation is tracking and assessing its performance.

Simply put, effective performance management processes include measures to ensure that an organisation's goals are consistently being met in an effective and efficient manner.

Performance measures put everyone on the same playing field and working toward the same organisational goals. They also provide a vocabulary for the organisation to speak to all people involved whether it is the Board, Executive Committee, Audit Committee etc.

### Using performance measures

Performance measures, which gauge overall organisational performance, include both leading and lagging indicators. Financial measures are lagging indicators; they reflect activity that has already occurred. Leading indicators, on the other hand, are predictive. For example, people and technology investments are indicative of results that may be achieved in the future.

To help organisations plan for the future, performance measures go beyond "outputs" (activity-based measures), and, instead, focus on "outcomes."

Outputs are easily measured, so people are more likely to focus on them.

Outcomes, however, focus on the reason behind the activity. Unless there is an outcome, there is no sound basis on which to judge results. Using performance measures establishes objectivity and moves an organisation away from focusing only on financial statement results.

When establishing organisational performance measures, we advise organisations to consider the following steps.

- **Define the strategy.** Review the current organisational strategy and interview leadership and other decision makers to help further define the strategy. As part of this process, determine "must have" performance measures to avoid an overabundance of measures to track.

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## Beyond the numbers (Continued)

- Analyse departmental plans. Review each department's plans and map key activities to the organisation's strategy. Then, determine individual departmental performance responsibilities, time-frames and milestones and define measures of performance.

- Identify baseline data for comparison. Baseline data forms the reference point from which performance measures will be gauged. To establish the baseline, conduct interviews with key constituents and stakeholders and analyze past budgets and progress reports.

- Develop a progress reporting mechanism. This mechanism is the means for tracking all performance measures. Develop a reporting schedule and assign a progress report champion to ensure measures are reported on in a timely manner, to the correct audiences and that feedback is received.

To be most effective, organisations should allow for midcourse corrections and respond to the results that performance measures indicate. When tracking performance measures, remember that more or less does not mean better or worse.

To understand the true meaning of the results, it's important to look into the factors surrounding them and make changes to ensure the organisation can achieve the goals it is reaching for.

**Elevating the dialogue**  
Establishing and reporting on performance measures not only allows an organisation to effectively and efficiently achieve its goals, performance measures can also elevate the dialogue the organisation has internally with staff and the board, as well as externally with constituents.

Focusing individual efforts on collective targets can help make the organisation more successful. Tying individual performance with organisational goals gets everyone rowing in the same direction.

Employees want to know what is expected of them at an individual level. With performance measures in place, employees know how to excel in their jobs.

Centering board conversations on organisational performance measures can also lead to more productive and meaningful discussions. A dialogue about performance measures is more engaging and productive than a dialogue focused solely on the financial statements.

While the financial statements only present numbers, performance measures provide you with the opportunity to speak about the organisation's performance overall.

Performance measures also provide organisations with the opportunity to

articulate accomplishments and future goals to constituents. Performance measures allow an organisation to paint a picture for external audiences about where the organisation is today, and where it is going in the future.

Making performance information available also demonstrates that the organisation holds itself accountable for its actions - a standpoint that carries immeasurable returns in today's business environment.

### Five ways to use performance measures

Performance measures can be used in a variety of ways to keep an organisation focused on its goals. Following is a list of five ways not-for-profit organisations can use measures to measure performance and ensure organisational goals are being met.

1. Tie measures to individual performance.
2. Link measures to capital and operating budgets.
3. Use measures as a reporting tool and discuss findings with the board, management and external constituents.
4. Use measures to identify when mid-course corrections are needed on a project or campaign.
5. Compare current performance measures with prior year(s) performance to map out historical information and point to future needs for the organisation.

## Keep or toss? Records-retention policies for not for profits

Records-retention policies are not new territory for not-for-profits and as a matter of good governance, many have implemented informal records-retention policies.

Records retention came to the forefront of media and public attention following the Enron scandal where important documents were intentionally destroyed, resulting in more and more organisations asking, "What records should be kept and what should be tossed?"

To answer that question, organisations must first look at their makeup. Records-retention policies depend on nature of the organisation and factors including donor base, resources, asset mix, and legal and statutory need to be considered.

The bottom line is that there's no one-size-fits-all records-retention policy for not-for-profit organisations.

**Establishing best practices** - Having a records-retention policy is part of best practices for both for-profit and not-for-profit entities, alike. Regardless of the nature of the business, there has to be prudent policies and procedures in place that dictate processes for capturing, collecting and maintaining historical data and knowledge.

**Implementing a policy** - While records-retention policies vary from organisation to organisation, there are several steps all not-for-profits should follow when implementing or updating their policy:

**List** - Put together a focus group to list all the internal and external factors that affect records-retention within the organisation.

**Evaluate** - What needs to be retained? For how long? Look at retention requirements your donor base and funding sources dictate. If you receive Government funding, those statutory elements apply, as well.

List documents under:

- **Permanent retention** for institutional documents such as constitutions, rules, trust deeds, licenses, and annual financial statements; and
- **Seven-year retention** for documents including ledger detail, accounts receivable/payable detail, time sheets, grant documents, committee records and proposals.

When assessing categories, documents related to transactions and assets - including property sales, property development, patents, and trademarks of multiple entities - should also be considered.

**Implement** - Categorize documents and store using identified processes. Develop a disposition policy that identifies when documents can be removed, as well.

**Inform** - As with any internal controls related process, everyone in the organisation needs to be informed of the policy. The records-retention policy should be included as part of the organisation's personnel booklet and should be reinforced by senior leadership on a recurring basis.

### Which accounting software is best for you?

There are more accounting software companies vying for your business than ever before. Purchasing the wrong type of accounting software could end up costing you a lot of time and money.

For small / medium businesses there are generally three options:

- **Excel spreadsheet:** great for very small operations (like a simple rental property). Only requires basic knowledge of Excel once it's set up correctly.
- **Cashbook software:** aimed at low accountancy knowledge users, as it has basic language and simple reconciliations. Most can offer basic reports to compliment their primary focus of recording cheques and deposits.
- **Small / Medium Accounting Packages:** aimed at the more computer and accounting literate users. Offers all features of cashbook software above, plus general ledger, debtors, creditors, payroll and full financial reporting.

For a small and affordable outlay, a software package can save your business money. When the package is set up and operated correctly, monthly management reports act as an important tool to track year to date profit. They give you a clear indication of your profitability and cashflow which can assist in estimating your tax obligations more accurately. Voluntary tax payments may reduce your terminal tax and interest charge at year end.