

# The L O Down



Spring 2016

Leslie + O'Donnell  
chartered accountants

## Earthquake 14 November 2016

We are aware that a lot of our clients have been affected by the recent Earthquake/s and wish you all the very best for rebuilding and recovering. It can be a long process and with the shaking still happening, often difficult to focus on the mammoth task ahead.

If there is any possible way we can be of assistance, please do not hesitate to contact us.



Our office and team have come out fairly unscathed although a bit jaded from lack of sleep and living on edge, waiting for the next shake but no worse off than many in our community and better off than a lot of others.

On a positive note, losing a couple of filing cabinets is a great way to get closer to being paperless and embracing cloud accounting.

We have been very impressed with the amazing coming together of our Community to support each other and continue with the clean-up. Marlborough really is a great place to live.

The Inland Revenue have issued a statement saying that "they are aware that tax will not be front of mind of many right now. Please do not worry if you cannot meet a particular filing or payment date. They are able to take a realistic and flexible approach in these circumstances." If you are struggling with tax returns or payments, please let us know and we can help request relief from penalties and make a plan to keep you in IRDs good graces.

CCH Learning is offering a Free Webinar on Managing & Supporting Staff Post-Quake. <http://cchlearning.co.nz/events/888-managing-and-supporting-staff-post-quake-part-1-free-webinar/>  
The webinar can help with your employment obligations, as well as dealing with staff reactions to the event and tips for managers and employers.

The Government has also announced a wage subsidy is now available for businesses who face a dramatic drop in their turnover as a direct result of the earthquakes. It will be paid to businesses with fewer than 20 employees where closure of the state highway and damage to the coastal environment means they cannot operate and they cannot pay staff wages.

For more information contact Ministry of Social Development on 0800779997 or obtain more details at <https://www.workandincome.govt.nz/eligibility/emergencies/earthquake-nov-2016.html>

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YOU ARE INVITED TO:

**XERO – HELPING US  
TO HELP YOU.**

Looking for business  
advice that really  
adds up?

Look no further than  
Leslie O'Donnell.

**23<sup>RD</sup> NOVEMBER 2016 5.30PM  
SCENIC HOTEL MARLBOROUGH**

Join us for a brief insight into Xero



If you are considering changing from your current system, this could be just the introduction you need to see if the move is the right one for you. If you already use Xero, this session will reiterate why you have made a wise decision and perhaps unlock some things you haven't discovered yet.

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## Christmas Is Coming

**Just 5 Weeks until a well-deserved Christmas break.**

**A reminder to clients who do not yet have their 2016 Year End work in will be sent out shortly. We will be wanting to start these jobs in the new year.**

**For clients who have their 2016 work in now, we will be endeavouring to complete these jobs before the Christmas Break.**

**The Office will be closed from Thursday 22<sup>nd</sup> December 5pm and will re-open 8.30am on the 9<sup>th</sup> January 2017**

XERO  
DEMONSTRATION &  
INTRODUCTION

XERO TIPS & TRICKS

HOW XERO CAN  
HELP US TO WORK  
CLOSER WITH YOU

BECOMING YOUR  
STRATEGIC  
BUSINESS PARTNER

Q&A AND TALK TO  
THE LESLIE &  
O'DONNELL TEAM  
OVER DRINKS &  
NIBBLES

AS THERE IS LIMITED SPACE  
PLEASE RSVP TO ENSURE  
YOUR PLACE:

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Phone: 03 5793093

Or Email:  
[Admin@leslieodonnell.co.nz](mailto:Admin@leslieodonnell.co.nz)  
[www.leslieodonnell.co.nz](http://www.leslieodonnell.co.nz)



## Risk and Reward

### Keeping the relationship special

We have long known we're a nation powered by small business. And that lends itself to highly personalised ways of doing business, strong relationships going back a long way, teams that feel like family.

That's why it's so devastating when a business finds out someone they've trusted has cheated them, sometimes over a long time: a so-called 'person in a special relationship'. There have been a number of high profile employee cases recently, but it's not just employees – it could be any advisor. If they betray your trust, they are people who can damage your business badly.

When these stories come to light, there are many variables: gambling addictions, sudden illness in a loved one, someone dipping into client funds thinking they'd be able to pay it back, someone who's worked with the business since Mum and Dad ran it. The common thread is in the environment: someone was trusted enough that no one was checking.

### IRD Spotlight on “CASHIES” continues...

It appears IRD are still very active in perusing investigations on the Hidden Economy of “Cashies”

In recent times, as well as the construction industry, they are now also targeting the hospitality industry.

IR Community Officers are making unannounced visits to restaurants, cafes, etc. They announce they are from the Inland Revenue and ask for the owner. Then they sit down with the owner and talk “cash” – how much, when banked, etc. They will look for things paid from the till directly and how these are accounted for. This may also lead to further requests for information such as GST records, etc. They will compare the business takings and purchases, etc to industry standards, looking for any oddities in takings or potential cash not being included in sales.

The Officer will then write to the owner and their Tax Agent advising of the visit, reporting briefly on findings and perhaps requesting further information.

We are advised that the visit is for educational purposes but we are sure any adverse findings will be reported to IR Audit.

If you are approached by these Community Officers, please let us know as soon as possible. We are happy to help and assist you with meeting with them, if you wish.

If you have Audit Assurance cover, our time spent on this investigation may be paid for by your insurance.

## Safeguard your business

Being able to trust your team and advisors is gold standard. Keep it that way and don't make it easy for someone to abuse your trust. Think about these tips to safeguard your business and keep those trusted relationships strong.

### Housekeeping

Good systems make it easy to understand and hard to hide things. If you have a system, make sure it's documented. They don't have to be complicated. For instance, when you refund a customer, make sure it's signed off by a manager or yourself and recorded somewhere central. Checklists can make a system easier for staff to understand and work with too.

Have systems in place to routinely look at where your money's going or that require you to sign off on key transactions.

### Monitoring

Do you have regular reporting? Things to look for are unusual customer refunds or credits, a spike in new suppliers or payments to existing ones. Do your sales look right? Is there a dip in cash sales?

Know what benchmarks other businesses in your industry are hitting. Compare your profit to overhead ratios with theirs and question inconsistencies.

### Buddy systems

Red flag any of your systems where only one signatory is required or only one person overlooks income and expenses. Make it part of the monthly routine to run the bank statements by more than one pair of eyes. Consider whether training up 'buddies' to share key financial responsibilities might make it harder to siphon off funds unseen.

Buddy systems can strengthen your succession plans as well as taking the pressure off when a signatory takes holidays. Ironically, it seems that people engaging in suspect activity tend not to take holidays for fear of being found out as they know someone else is performing their duties.

### Background checks

Reference checks are a truism of recruitment but it's important to take them seriously. If you're interviewing for a role with access to sensitive financial data or business assets, consider whether background checks are advisable, e.g. criminal record checks or confirmation of qualifications. Make sure background checks fall within legal requirements or you can fall foul of the Privacy Commissioner and/or the Employment Relations Authority. There are specialists who can provide this service.

### Audit

While audit is a significant additional business expense and we don't suggest it lightly, periodic independent financial reviews or spot checks might be worth considering, if only to let it be widely known that this is one of your resources.

We can help you with risk assessment for your business and help you strengthen your systems if needed.

## Enforcing employment standards

It is taking time for the impact of this year's employment law changes to sink in. Parental leave and the demise of zero hours contracts received a lot of press. Enforcing employment standards has had some coverage but always sounds a bit abstract in comparison. Yet this is an area that seems to bite employers.

The basic idea is to make sure employers pay at least minimum wage and give employees their proper holiday entitlements. Simple, right? However, it's exposed a dramatic number of cases where employers aren't doing this. The consequences can be grim.

### Penalties for serious breaches

Where an employer has committed serious breaches of employment standards, the Employment Court can now order some very heavyweight penalties as well as compensation for affected employees.

'Pecuniary' penalties may be up to \$50,000 for individuals or, for a company, whichever is the greater of an amount up to \$100,000 or three times whatever gain the company made from the breach. Compensation to affected employees is tied to the amount the employee lost or was likely to lose because of the breach.

The employer may also face being banned from being an employer, an 'officer of an employer', or even involved in employing people. An 'officer of an employer' can be a director of a company, a partner in a partnership, or anyone in an influential senior role in a business. A banning order can be in place for up to ten years: a bit limiting, if you're in business.

These more draconian sanctions are in addition to those already in the armoury of Labour Inspectors.

### Liability for a breach

It's in senior management's interests to make sure the business' practices are in line with employment standards because the liability doesn't stop at the business entity. Where an employer is ordered to pay money to compensate an employee and can't or won't pay, the above-mentioned 'officers of an employer' may be liable if they are involved. A person is 'involved in a breach' whether they have actively brought it about or been a party to it in any way — directly or indirectly.

In June this year, in a case preceding the latest changes, an employer was ordered to pay \$161,343.67 in wage arrears, and interest at the rate of 5% per year, for breaches of minimum entitlement requirements involving 121 different employees. The employer was also ordered to pay \$65,000 in penalties for failing to provide written employment agreements; failing to keep holiday records; and failing to pay holiday pay, public holiday pay and minimum wages. The sole director and major shareholder of the employer company was found liable with the company for the wage arrears.

**All employers need to know** what the employment standards are and have good systems in place to meet them. It's not enough to simply say 'It doesn't affect us. We're not defrauding our employees.' There are enough employers out there getting it wrong on holiday pay and minimum wage entitlements to make another look at your systems worth your while. Ask us if you'd like more detail.

**Do you know that all employees are legally entitled to paid rest breaks and if paying a piece rate, eg 10c per vine, these paid rest breaks must be calculated, shown on the pay slip and paid each pay day. The Labour Inspectorate has said they will be looking for a "separate and clearly identifiable payment" in pay records. This has effected several of our clients so please let us know if you need help with this.**

**'Employees must be paid for all hours they work, and employers are required by law to keep proper time and wage records for all staff'**

*Loua Ward, Regional Manager  
Labour Inspectorate*

### Vulnerable employees

The Labour Inspectorate is upfront about targeting employers who exploit vulnerable employees — for instance, those new to New Zealand, without long term visas or people to advise them.

In August, the Employment Relations Authority (ERA) ordered a Wellington grocery store to pay \$53,000 in penalties and arrears for employment law breaches. The employer had failed to pay the employee minimum wage, holiday pay or additional pay for working on public holidays; had not paid the employee for all hours worked; and had charged the employee more than \$10,000 in premiums by way of a payment of \$5,000 upfront, \$3,240 in regular small cash payments, and \$2,167 funding company expenses on the employee's personal credit card.

The penalty for breaches of the legislation was \$25,000, in addition to \$28,781.23 to be paid to the employee for minimum wage arrears, reimbursement of premiums and holiday pay arrears. 'This ruling sends a clear message to employers that failure to comply with minimum employment labour standards will not be tolerated,' said Loua Ward, Labour Inspectorate Regional Manager.





## BUSINESS SATELLITE

### Got to love your P&L statement

How often do you look at the Profit and Loss (P&L) statement for your business? Only once a year? It could be more useful to monitor it more often.

Your P&L statement gives you a great way to keep an eye on how your business is doing. Like the name suggests, it shows profit and loss for a given period. That might be monthly, quarterly or annually, as often as you like.

Your P&L statement charts revenue and expenses - incomings and outgoings - so that it can help you see what's actually happening with your cashflow. This is why it's also sometimes called an income and expenditure account or a statement of financial performance. Working with us on Xero enables us to see your results in real-time and not just historically or once a year. It also gives us the ability to set goals and budgets and monitor those with you. Come to our Xero Client Event – Helping Us to Help You and see how this could work for you.

#### The basics

When you look over your P&L statement, look for a few basics:

This year/last year?	How do this year's numbers compare with last year's?
What's the margin?	What's the margin between revenue and expenses? After you've taken away all your expenses, the remainder is your profit. This will give you an idea of how much you can take out of the business and how much you are likely to need for your normal business costs. Is there room to factor in a buffer amount for unexpected costs? Do the numbers fit with what you know you need for upcoming tax payments? Should you be reinvesting in the business?
What are the trends?	Do revenues or costs rise or fall in a regular pattern from month to month? Can you see why the patterns occur?
What bucks the trend?	Can you see any incomings or outgoings that don't fit with the pattern? With windfall revenues, is there anything you could do to extend them so they become the norm rather than the exception? With sudden unpredictable spikes in your costs, are these easily explained or are they symptoms of emerging business risk?

#### Take action

Regularly checking in with your P&L is a great risk management strategy. And if you're trying new marketing techniques or running new product lines, it's a good way to track whether they're performing well.

You know we love this stuff and we have some great tools to help analyse results and make plans for the future. We would be happy to talk you through how to gain more meaningful data from your P&L and financial accounts. How to set some goals and budgets to improve your profitability and monitor your results to expectations.



**Together we can grow your business and plan for a prosperous future.**

#### Vehicle Log Book

For keeping track of business vs private use of motor vehicles, there is a requirement to keep a log book to determine the percentage of the kilometres travelled. There are now some very cost effective GPS log books available which record your travel and you are able to download the records and details business vs private. Google – GPS Log Book to have a look at this simple piece of technology that could save you the hassle of remembering to write in a log book for every trip.

## CONGRATULATIONS!

The inaugural **Marlborough Sheep & Beef Farmer of the Year** was held in October and we are very pleased to congratulate all entrants and winners. With only 5 points separating the top three places, competition was tight. Awatere Valley farmers, Simon, Lynda & Tom Harvey took out top honours. Special Congratulations to our clients Fraser & Shelley Avery farming in Ward, in partnership with Doug & Wendy Avery, Bonavaree, who placed second in the competition. Hoping you are all well and enduring the quakes – Good Wishes being sent to all those in this area.

Great to see this new competition being promoted in Marlborough and a good opportunity for farmers to get involved with other top performing farmers in the region – great experience and learning opportunity.

## XERO CERTIFICATION

Almost all our staff are now Xero Certified. They have taken the time to study and pass the Certification questions to do this.

This helps them to be able to answer a lot of your questions and also gives them the tools to find the answers for you, if they do not know them straight away.

We are very proud of the Team for taking the Challenge and showing their commitment to learning and wanting to help and work with our clients.



## FACEBOOK & WEBSITE

Yes, Leslie & O'Donnell is embracing social media to help our clients keep up to date on things that are happening in the Accounting, Tax, and Business Development world.

Please have a look at our Facebook Page and give us a like. It is all very new to us but we plan to keep it fresh and offer our clients some tips and tricks and information to work closer with you and our Community.

Also check out our Website. [www.leslieodonnell.co.nz](http://www.leslieodonnell.co.nz). As well as some handy resources and information on what we have on offer and how we can work closer with you, we also now have a blog. We will keep this up to date with things that are happening in and around us and articles and information that may be useful for you.

## Welcome to our Team

The Leslie & O'Donnell Team have welcomed 2 new members:

**Sue Howard** – Sue is a born and bred Marlbourian. She has returned to Blenheim after spending time away living and working in Palmerston North and Auckland. She worked at one of the “Big Four” accounting firms – Ernst & Young in Auckland and has a wealth of knowledge and experience to share. Prior to leaving Marlborough Sue worked with several of the LOD team so this is like a real return home. Sue assists clients with all areas of compliance work. She enjoys the variety and challenges in her position and is loving being part of a professional and happy team. Sue is married to Stephen and they have a daughter – Grace, who is at Marlborough Girls College. Sue is loving being home and we love having her at Leslie & O'Donnell.

**Melissa Gardiner** – Melissa is also a Marlborough Girl and grew up on a dairy farm in Linkwater. She has just completed a Bachelor of Business Studies and will go on to complete her Chartered Accountancy qualification in the future. She has 8 years' experience in the accounting world and enjoys helping clients achieve their goals and finding the best solution for them. Out of work she enjoys spending time with family and friends and enjoying Marlborough's great outdoors. A big congratulations to Melissa on passing her latest exams. We see a bright future having Melissa as part of the Leslie & O'Donnell team.

Exciting times at Leslie & O'Donnell, embracing new technology, striving for Less Paper, planning our Client Event, and welcoming new Team Members.

All these things will enable us to work closer with our clients as a Strategic Business Partner, having compliance requirements made simpler so we can help grow your business.

### Disclaimer

*This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.*

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