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# The report of the elected auditors to the 2017 General Assembly

April 2017

David O'Shea and Stephen Manuel

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## Introduction

The elected auditors for EARMA for fiscal year 2016 were David O'Shea, Director of Financial Services, Financial Services Division, Trinity College Dublin and Stephen Manuel, Research Accountant, Bursar's Office, University College Dublin.

We have reviewed the audit of the financial statements that comprises the profit and loss statement and the balance sheet for the fiscal year 2016 as well as the Minutes of Board meetings held in 2016.

This report is made solely for the members of EARMA as prescribed by the Articles of Association of EARMA.

## Audit procedures

Since the fiscal year 2012 EARMA's accounts are audited by two different categories of auditors:

- statutory auditor who performs a standard financial audit
- elected auditors who perform an overall audit of EARMA's finances and activities from the perspective of EARMA's members

We conducted meetings in the offices of the accountants in Leuven, Belgium on 31<sup>st</sup> March 2017. We met the representatives of the accountants and the external auditors. The accountancy firm SBB was represented by Jan DePoorter and Annette Philips, Accountants. Also present at the meeting were the EARMA Treasurer, Sharon Bailey, and the EARMA Managing Director, Nik Claesen. EARMA's external auditor was represented by Jaroen Rans of the Auditing firm BB3 Revisoren.

The meeting started with the accountants from SBB who made a short presentation of the Income and Expenditure Account and Balance Sheet.

The external auditor then made a short statement on the audit approach taken and indicated that he would be issuing an unqualified audit report, he confirmed at the meeting that, in his opinion, the accounts showed a true and fair view of the financial position of EARMA.

We decided to apply a selective approach in reviewing the financial transactions as we deemed it redundant to duplicate the work of the statutory auditor. We discussed and agreed the audit adjustments with the External Auditor and SBB, there were no unadjusted items. We selected a sample of transactions for testing, placing an emphasis on high value invoices and travel costs.

The full transaction listing, individual bank statements as well as all invoices, reimbursements and back-up were available for reviews.

All invoices were numbered with both a bank reference and a bookkeeping code, thereby enabling transactions to be followed from the general ledger print-outs to source documentation.

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We considered the documents for the travel costs reasonable and all persons funded were eligible for funding. We found the selected high value sample items to be in order and also reasonable. Separately we reviewed Board papers for 2016.

### **Membership**

Income from membership has remained static for the year at €110k (2015: €110k). Part of the role of the new Managing Director is to increase membership numbers and this will be necessary if EARMA is to continue to return a surplus.

### **EARMA's management**

The books are in a good order and it was easy to get additional information. The cooperation with the accountants SBB seemed to work very well, though we would recommend that the Treasurer is sent copies of a trial balance and general ledger on a quarterly basis to ensure that all costs are properly classified and captured correctly in advance of the accounts being finalised and submitted to the external auditors.

There is evidence of good controls in place over spend and the Treasurer should be commended. There is a considerable administrative burden on the position of Treasurer and we would recommend that Board review the workload and functions of this position.

The Board has continued to take good initiatives to progress the organization and given the scale of operations the appointment of the Managing Director is a welcome addition to EARMA.

### **Net result**

The result for the fiscal year 2016 was surplus of €22,283 for the year (2015: €12,882). Whilst there was a 10.3% increase in running costs there was an 11.7% increase in operating income, partly driven by the workshop activities. Accumulated reserves as at 31/12/2016 amounted to €267k (2015: €245k)

### **Working groups**

We welcome the Board's plan to reconstitute all Working Groups with one Board member on each group and with requirements for formal reporting to Board.

### **Some recommendations arising out of the audit**

- SBB Accountants should provide the Treasurer and Managing Director with quarterly copies of the accounts and full ledger listings so any misclassifications of expenses can be identified in advance of the meeting in Leuven.
- Given the scale of EARMA (turnover in excess of €470k) there is a considerable workload on the position of Treasurer, with the appointment of a managing Board should consider ways of alleviating the administrative burden on what is a voluntary position.
- The Chair should always apply a 'wet blue ink' signature when approving expenses and not a scanned copy of their signature.
- The Board should consider the potential effect and risks that Brexit will have on the organisation and perhaps formulate a plan to exploit opportunities arising out of it.
- Working Groups' planned activities, including for face-to-face meetings, should be approved annually in advance by Board.

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### **Conclusions**

Our opinion is that the Financial Statements represent a true, fair and consistent view of the financial transactions of EARMA in 2016 and that the board has used the funds in accordance with the EARMA Statutes and have exercised good financial management.

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Leuven March 2017

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