



The report of the elected auditors to the 2023 General Assembly

Introduction

The elected auditors for EARMA for the fiscal year 2022 were Eva Maria Moar, Head of the Research Support Office, Eurac Research, Italy, and Núria Benítez Monforte, Institutional Strategy Development, Institut Català de Nanociència i Nanotecnologia, Spain.

We have reviewed the external audit of the financial statements that comprise the profit and loss statement and the balance sheet for the fiscal year 2022 as well as the Minutes of Board meetings held in 2022.

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

During 2023 the external audit was performed with a significant delay due to, according to EARMA director and board, several issues:

- the migration to a new digital tool integrating all previous digital tools, including the financial tool, provoking an alteration of the process to issue invoices; this error created a very significant number of incorrect and/or unsolicited invoices, all of them recorded in the financial system
- the Belgian VAT authority routine check of all EARMA VAT records for the period 2020-2022, unexpected and started 9 February 2023



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- time constraints due to personnel on sick leave at the moment where the audit was to be done
- Easter holidays of the external accountants
- the Belgian periodic tax reporting

Even though, we met an EARMA representation in 23rd March to advance in the internal audit of 2022 finances and activities. EARMA was represented by the Treasurer (Yoram Lev Yehudi), the Managing Director (Nik Claesen) and the Financial and Administrative Manager (Sahar Arafat).

During this meeting we discussed on the processes and procedures followed by the EARMA board, standing committee members and employees to record and follow topics. We also discussed how all of them are following the EARMA action plan and strategy.

Considering that the external audit was in a very preliminary state, we didn't check any sample of transactions.

Before the meeting we reviewed the board papers for 2022. A series of questions resulting from this analysis was satisfactorily addressed by the EARMA representatives in the meeting. The main concern of them, being ensuring the sustainability of the association in financial terms, considering the growth of the number of personnel hired and the risk of become dependent on the competitive funding coming from European projects.

Finally, we received the external auditors report on 30th May. Due to time constraints, we were not able to meet the external auditors to discuss their findings before the production of this report.

Net result

The result for the fiscal year 2022 was a surplus of 105K€, while the net result for the fiscal year 2021 was a surplus of 197K€, so in 2022 it decreased a 46%. Main figures have radically increased (+128%) being assets and liabilities 2.037K€ (890K€ in 2021).

According to the meeting with EARMA representation and to previous documents checked, the main reason for this increase are the competitive projects granted to EARMA.

Membership

According to the report approved during the 1st stage of the General Assembly, "in 2022, EARMA's institutional membership reached a new high, with a total of 203 institutional members (compared to 179 in 2021) and 191 individual members (compared to 195 in 2021) across 47 countries. This marks the 7th consecutive year of institutional membership growth and 5th consecutive year of breaking the institutional member record. However, the number of individual members decreased from the previous year, as many of them upgraded to institutional membership.

EARMA's management

The EARMA board and employees manage an increasing amount of actions, activities and projects using a digital tool to archive the documents produced. There is also an excel



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file were every action, activity or project is recorded and informed, to facilitate the traceability of decisions.

With the growing of the association, this system seems to be too complicated, especially for ensuring a smooth handover to people taking over new roles in EARMA (e.g. new staff or board members).

Considering the rotations of employees and that board members are nominated for periods of 2 years, with a maximum of 2 consecutive nominations), we recommend to EARMA to acquire a management digital tool that ensures to record all processes and subjects under discussion, including decisions and agreements. This system could be integrated into the whole digital tool that EARMA has implemented recently or could be and independent one. This would also facilitate more timely external and internal audit processes.

Review of last year's recommendations of the internal auditor:

Recommendations 2022

- Rec. 2022: Consideration should be taken to ensure that sufficient resource time is planned going forward for the continuing introduction of the new IT system. Resources should be on hand to deal with any corrective adjustments that may be required during the changeover. Measures should be taken to allow also for adequate time to be devoted to the day-to-day administrative functions at the same time.
 - > The implementation of the new IT-system required significant resources and caused major delays, mainly in the administration of invoices and financial processes. It is expected to resolve the issue in due time.

- Rec. 2022: - A formal accounting procedure should be established to ensure the timely collection of payments owed to the association
 - > See above.

Recommendations resulting from the audit:

- Sustainability: we recommend ensuring that all the personnel hired exceeding the minimum personnel necessary to run the association do not imply a financial commitment that is not possible to sustain by ordinary financial assets; we recommend ensuring that the association does not become dependent of the funds coming from competitive projects.
- Traceability: we recommend that the association acquires a digital system facilitating and ensuring traceability of topics and actions through the years and meetings.
- Implementation of recommendations: we recommend to better define the role of internal auditors and detail the process and resources settled for them to perform their duties, in order to ensure the implementation of recommendations and a feedback-loop with the internal auditors during the year.



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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 2022 and that the Board has used the funds in accordance with the EARMA Statutes and have exercised good financial management.

Eva Maria Moar and Núria Benítez

Bolzano, Bellaterra, 05.06.2023



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