



ExMC/1220/DV  
April 2017

**INTERNATIONAL ELECTROTECHNICAL COMMISSION (IEC) SYSTEM  
FOR CERTIFICATION TO STANDARDS RELATING TO EQUIPMENT FOR  
USE IN EXPLOSIVE ATMOSPHERES (IECEx SYSTEM)**

**For Consideration by Members of the IECEx Management Committee, ExMC**

**2016 IECEx Audited Accounts**

-----

**Introduction**

This document contains the IECEx 2016 audited accounts including a copy of the IEC Auditors report, attached and is submitted for consideration by ExMC Members.

Explanatory notes have been provided for the assistance of Members.

This Report is submitted for ExMC consideration at the September 2017 IECEx meetings in Washington, following which will be presented for CAB approval during the 2017 October IEC General Meeting.

The Auditors report has been reviewed by both the IECEx Treasurer and Secretary and for further review during the Executive's May 2017 meeting.

-----

*Chris Agius*

**IECEx Executive Secretary**

**Visiting address:**  
**IECEx Secretariat**  
**Level 33 Australia Square**  
**264 George Street**  
**Sydney NSW 2000**  
**Australia**

**Contact Details:**  
**Tel: +61 2 4628 4690**  
**Fax: +61 2 4627 5285**  
**E-mail: [info@iecex.com](mailto:info@iecex.com)**  
**<http://www.iecex.com>**

# Explanatory Notes to the 2016 IECEx Audited Accounts

## GENERAL OVERVIEW

Total Income: CHF 1'797'115  
Total Expenditure: CHF 1'613'035  
End Year Surplus CHF 184'295

General Reserve at end 2016: CHF 1'913'036

## INCLUSION OF ASSESSMENT FEES AS BOTH INCOME AND EXPENDITURE:

The IECEx Management Committee previous decision for IECEx to control the payment of fees to Assessor Organisations and hence invoice these amounts to ExCBs and ExTLs means that Assessment fees are included as income and expenditure in the end of year accounts.

The main issue to highlight is that the Swiss auditors have requested to include the assessment fees (charged to ExCBs and ExTLs for the IECEx assessments) of CHF 394'468 as Scheme Income and the fees paid to IECEx Assessor's organisations of CHF 392,568 as Scheme Expenditure, with these amounts being referred as Transitional Funds. This has been the practise each year since 2007. In noting that the difference **CHF 1'900**, this is regarded as Scheme income arising from a small fee per invoice charged as administration fee for the Secretariat to process and manage invoices.

## **INCOME**

### General

The total income (less Assessment Fees Income of 394'468 plus CHF 1'900 admin fee [Assessment Fee Income less Assessment Fee Expenses]) is **CHF 1'404'547** (CHF 1'797'115 – CHF 394'468 + CHF 1'900 = CHF 1'404'547 ) and represents 4.6% below 2016 budget predictions.

The Total Operating costs (Total expenses less Assessment Fees paid to Assessor Organisations of CHF 392'568) is **CHF 1'220'467** which is below budget predictions.

The 17.2% below budget predictions for expenses largely is the result of the 2016 IECEx Conference, provided for not proceeding and being deferred to 2017, in addition to the containment of expenditure.

The positive results for 2016 means a contribution of **CHF 184'295** to the general reserves compared to a budget amount of CHF 113'987, being **64%** above budget predictions. A good end of year result.

The IECEx General Reserve at end 2016 now stands at **CHF 1'913'036** compared to CHF 1'728'741. At end 2016 and represents approx. 1.6 times annual operating costs.

### Annual Dues

Annual dues were above Budget expectations due to new bodies now participating in the various IECEx Schemes.

## Surcharges

Surcharges apply to Manufacturers and Service Facilities that are located in non IECEx member countries whom derive the full benefit of IECEx without their country contributing to the IECEx annual dues. It is noted that the Surcharges were CHF 16K below budget.

## Application Fees

Application fees are applicable to new countries and new ExCBs and ExTLs joining IECEx. The 2016 accounts figure is significantly lower than that of the 2015 accounts due mainly to a spike in bodies applying to join IECEx in 2015 instead of 2016.

## Certificate Fees Equipment

The Certificate fees for the IECEx Certified Equipment Scheme resulted in CHF 901'925 being well above both budget predictions and the previous year thereby demonstrating sustained growth in demand for IECEx Equipment Certification. This trend is continuing as IECEx enters 2017

## Certificate Fees Services

The Certificate fees for the IECEx Certified Service Facility Scheme resulted in CHF 60'250 and while 20% above 2015 Accounts is below budget predictions. Expansion of the Services Scheme into other services areas is expected to see an increase in the number of Service facility certificates.

## Certificate Fees Persons

The Certificate fees for the IECEx Certified Persons Scheme resulted in CHF 81'450, which is 14% above budget predictions is slightly below budget predictions. The growth trend is continuing as IECEx enters 2017.

## Other Income

Other income for 2016 was zero due to the planned IECEx Conference being deferred to 2017.

## Interest

The previous line item Interest is replaced with Net Financial revenue and for 2016 this was reduced to CHF 215 due to the extraordinary low interest rates that exist globally.

## **EXPENSES**

### General

While 2016 resulted in an income above budget, the difference between overall actual operating expenses (total expenses minus allocation to Gen Reserve) was contained to CHF 1'229'467 being **CHF 253'783 below** 2016 budget.

In line with expected business practice, the IECEx monthly accounts are constantly reviewed and any adjustments to expenditure are made according to income levels.

From the auditor's report we see that most of the Expenses items have resulted in an end of year accounts being below budget predictions. The following items are specifically noted.

### **Personnel Costs**

Personnel costs were in line with budget predictions and covers all personnel related costs (eg, Staff Remuneration, Insurance, Pensions and other statutory employee related costs) with a mix of full time and part-time resources.

### **Office Equipment**

Office equipment covers usual office related equipment and consumables related to day to day running of the Secretariat office including computer and IT, stationery and printing and postage of CoPC cards and other documentation. This was contained below budget predictions.

### **Serviced Office facilities**

The CHF 68'617 amount is below budget predictions and provides for operating the IECEX Secretariat Office located in Sydney catering for the Secretariat staff with the following being covered:

- Secure Office accommodation
- Heating and cleaning
- Electricity costs (light + Power)
- Telephone costs
- Meeting room facilities
- Reception facilities
- IT services and support
- Printing and photo copying
- Fax facilities

### **Indirect IEC Costs**

Contribution to IEC Geneva Office Costs, covers use by IECEX of IEC Central Office Services including:

- IT Department
- Communications and Promotions Department
- Publishing Department
- Printing Department
- Finance Department
- Others

The amount of CHF 85'263 is in line with the approved 2016 budget

### **Miscellaneous Legal and audit**

Caters mainly for the audit costs of the IECEX accounts and the provision of an external auditors review and reporting of the IECEX financial accounts and was below budget predictions. However the significant above budget amount of CHF 53'372 was due to legal costs associated with defending the IEC and IECEX branding from misuse of the IECEX logo, Certificate and name. Legal costs incurred in this defense were resulted from Swiss and US legal representation.

### **Advertising Expenses**

These were maintained well below 2016 budget predictions and included costs associated with participation at various Promotional events, eg PCIC Conferences in Abu Dhabi, PCIC Europe in London, PCIC Nth America.

### **Website**

Maintained below budget and covers the IT Webmaster services for the dedicated Website

### **Special Event**

The expected IECEX Conference was deferred to 2017 with the small cost of CHF 644 covering initial planning work for the 2017 Conference that was expended in 2016. The main purpose of Special Events is the promotion and increased awareness of the IECEX System and its Schemes.

### **Special Projects**

Maintained below budget predictions and covered the additional resources associated with the rebuilding of the IECEX website to accommodate new and additional Internet web browsers and improved security of the website architecture and back office. This Special project is expected to be completed during Q2/Q3 2017.

### **Travel and Meeting Expenses**

The final amount of CHF 128'913 is below budget predictions and caters for travel and meeting costs of the Secretariat staff, noting that as the IECEX Executive Secretary also serves as IECQ Executive Secretary, travel for both IECEX and IECQ Systems is coordinated, where possible, in order to split travel costs.

Examples of travel and meeting costs are associated with:

- Secretariat staff for the 2016 IECEX Operational Meetings
- Secretariat staff for the 2016 Annual IECEX meetings
- Secretariat Staff to attend meetings of CAB and CAB WG Meetings, Meetings of ISO CASCO
- Others, eg IEC Geneva Office and meetings with Member Bodies, potential new Member Bodies where necessary

### **Extraordinary Expenses**

There were no extraordinary expenses incurred in 2016.

### **Allocation to IECEX reserves**

The end of year result for 2016 of CHF 184'295 is above budget predictions. With all the above taken into account, the end of year surplus is a most pleasing result for IECEX.

## **GENERAL RESERVE**

Taking into account the results for 2016 with its contribution of **CHF 184'295**, the IECEX General reserves at end of 2016 provides a total of **CHF 1'913'036**. This reserve provides 1.6 year's operating expenditure with the target to achieve a reserve to cover 3 years operating expenses, in accordance with the CAB recorded Decision 33/5 of Document CAB/1170/DL, noting that CAB has advised that there is no target date to reach the 3 year level. List of Decisions from the June 2013 CAB Meeting.

-----

**INTERNATIONAL ELECTROTECHNICAL COMMISSION,  
IEC System for Certification to Standards relating to  
Equipment for use in Explosive Atmospheres (IECEX)**

**GENEVA**

**Report of the Auditor  
December 31, 2016**

**Report of the Auditor to the Conformity Assessment Board of  
International Electrotechnical Commission, Geneva****Report of the Auditor on the Financial Statements**

We have audited the accompanying financial statements of IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX), which comprise the balance sheet as at December 31, 2016, and the income statement and notes for the year then ended.

**Executive Secretary's Responsibility**

The Executive Secretary is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law, the association's statutes and rules of procedures of the International Electrotechnical Commission and the basic rules of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Executive Secretary is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements for the year ended December 31, 2016 comply with Swiss law and the association's statutes and rules of procedures of the International Electrotechnical Commission and the basic rules of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX).

MAZARS LTD



Daniel Dumas  
Licensed Audit Expert  
(Auditor in charge)



Sébastien Gianelli  
Licensed Audit Expert

Vernier, March 1<sup>st</sup>, 2017

Enclosures:

- Financial statements as at December 31, 2016

**BALANCE SHEET AS AT 31 DECEMBER 2016**

(with comparative figures for 2015)

	<u>2016</u>	2015		<u>2016</u>	2015
<b>ASSETS</b>	<b>CHF</b>	CHF	<b>LIABILITIES AND GENERAL FUNDS</b>	<b>CHF</b>	CHF
<b>Current assets</b>			<b>Liabilities</b>		
Bank, current account	<b>724'515</b>	517'009	Accrued liabilities	<u><b>105'548</b></u>	<u>71'945</u>
IEC Pool Investment	<b>233'498</b>	240'687			
Accounts receivable					
- Dues	<b>1'000</b>	0			
- Publications	<b>340</b>	0			
- Certificates and surcharges	<b>570'945</b>	554'610	<b>IECEX General Funds</b>		
IEC current account	<b>139'355</b>	70'061	Capital at the beginning of the year	<b>1'728'741</b>	1'466'789
Prepaid expenses (IECEX secretariat)	<b>222'436</b>	211'844	Surplus for the year	<u><b>184'295</b></u>	<u>261'952</u>
Accrued income	<b>126'495</b>	206'475	Capital at the end of the year	<u><b>1'913'036</b></u>	<u>1'728'741</u>
	<u><b>2'018'584</b></u>	<u>1'042'990</u>			
<b>Total</b>	<u><b>2'018'584</b></u>	<u>1'800'686</u>	<b>Total</b>	<u><b>2'018'584</b></u>	<u>1'800'686</u>

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
(with comparative figures for 2015)

	Budget 2016 (unaudited)	Actual 2016	Actual 2015
	CHF	CHF	CHF
<b>INCOME</b>			
Dues	283'250	288'000	278'000
Surcharges	60'000	44'000	53'250
Publications	7'000	8'522	3'374
RTPP annual fees	0	2'500	0
Application fees	20'000	16'000	41'000
Certificates equipment	880'000	901'925	869'150
Certificates services	80'000	60'250	50'000
Certificates persons	90'000	81'450	71'800
Other income	50'000	0	40'089
Assessment fees	2'000	394'468	573'716
Total	<u>1'472'250</u>	<u>1'797'115</u>	<u>1'980'379</u>
<b>EXPENSES</b>			
Personnel expenses	825'000	825'000	785'000
Office equipment	10'000	8'975	5'724
Serviced office facilities	100'000	68'617	73'379
Indirect IEC costs	85'263	85'263	75'624
Miscellaneous, legal and audit	10'000	63'372	4'366
Website	10'000	3'720	2'204
Advertising expenses	80'000	15'014	48'007
Special event	50'000	644	16'344
Special projects	40'000	20'949	17'688
Travel and meetings expenses	150'000	128'913	121'690
Extraordinary expenses	0	0	0
Allocation to IECEx reserves	113'987	0	0
Costs to conduct assessments	0	392'568	571'369
Total	<u>1'474'250</u>	<u>1'613'035</u>	<u>1'721'395</u>
<b>Result from operating activities</b>	<b>-2'000</b>	<b>184'080</b>	<b>258'984</b>
Net financial revenue	2'000	215	2'968
<b>Budget result</b>	<u><u>0</u></u>		
<b>Surplus for the year</b>		<u><u>184'295</u></u>	<u><u>261'952</u></u>

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

---

### **1 Structure and objectives**

#### **1.1 *International Electrotechnical Commission ("IEC")***

The International Electrotechnical Commission ("IEC") is an organization constituted as a non profit-making corporate association with legal entity in accordance with Articles 60 *et seq.* of the Swiss Civil Code. The seat of the IEC is in Geneva, Switzerland.

The IEC object is to promote international cooperation on all questions of standardization and related matters, such as the verification of conformity to standards in the fields of electricity, electronics and related technologies, and thus to promote international understanding. This object, inter alia, is achieved by issuing publications, including International Standards.

#### **1.2 *IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEx System)***

Taking into account the object of the IEC, the particular object of the IECEx System, operated under the authority of the IEC in conformity with the Statutes, is to provide a global frame work for independent assessment and certification of equipment, services and personnel associated with explosive atmospheres.

These financial statements relate to the IECEx System, which is part of the IEC.