



ExMC/1473/DV  
April 2019

**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**

**2018 IECEX Audited Accounts**

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**Introduction**

This document contains the IECEX 2018 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 2019 IECEX meetings in Dubai, following which will be presented for CAB approval during the 2019 October IEC General Meeting.

The Auditors report and notes have been prepared by both the IECEX Treasurer and Secretary and for further review during the Executive's June 2019 meeting.

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*Chris Agius*

IECEX Executive Secretary

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# Explanatory Notes to the 2018 IECEX Audited Accounts

## GENERAL OVERVIEW

Total Income: CHF 1'534,933  
Operating Expenses: CHF 1'332,340  
End Year Surplus CHF 199,883 (Contribution to General Reserve)

General Reserve at end 2018: **CHF 2,275,863**

## IMPLEMENTATION OF NEW SWISS GAAP ACCOUNTING STANDARDS

As informed during the 2018 IECEX Management Committee meeting in Cannes, the IEC have introduced the Swiss GAAP accounting Standards across all IEC activities, hence for the 2018 accounts, Members will note a new format of presenting the accounts which aligns with the format of all IEC activities and enables a clear set of consolidated accounts to be prepared.

While the format has changed, the 2018 budget numbers remain the same as those approved in ExMC/1211/DV, 2018 IECEX Approved Budget.

## 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 Organizations 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 434'255 as Scheme Income and the fees paid to IECEX Assessor's organizations of CHF 430'039 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 4'216**, 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 and bank charges.

## **INCOME**

### General

The total income (less Assessment Fees Income plus CHF 4'216 admin fee [Assessment Fee Income less Assessment Fee Expenses]) and NET financial revenue has resulted in an end of year total Income of **CHF 1'534,933** against budget of CHF 1'662,000.

The Total Operating costs (Total expenses less Assessment Fees paid to Assessor Organizations of CHF 430'039) is CHF 1'332,340 against a budget of CHF 1'481'664.

Net financial revenue from investing of funds showed a negative CHF 2'710 as at 31 December 2018 however has become positive during Q1 of 2019. For account reporting purposes the value as at 31 December 2018 must be shown, (CHF 2'710).

All matters taken into account a final positive result for 2018 was achieved with a surplus of **CHF 199'883** being achieved and directed to the general reserves which now stands at **CHF 2,275,863**.

The conclusion being that while achieving the objectives of operating an active and growing International Conformity Assessment System the IECEx was still able achieve an end of year surplus that is 11% above budget predictions

### **Membership Dues (Annual Dues)**

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

### **Sales (Sale of publications)**

This relates to sale of IECEx publications e.g. Bulletin and ExTR blanks. While below budget has little overall bearing on the IECEx finances but is required to be shown as a separate item to align with the format for the consolidated IEC accounts.

### **CA System Operations**

#### **a) 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 slightly above budget predictions.

#### **b) RTPP annual fees**

This relates to the annual dues paid by IECEx Recognized Training Providers whom run and provide training programs that are in support of the IECEx Schemes. The 2018 result was above budget predictions showing growing interest in this service.

#### **c) Application Fees**

Application fees are applicable to new countries and new ExCBs and ExTLs joining IECEx. The 2018 accounts figure is in line with the 2017 result but below budget predictions. Additional bodies are planning to join IECEx in 2019.

#### **d) Certificate Fees Equipment**

The Certificate fees for the IECEx Certified Equipment Scheme resulted in CHF 906'075 while slightly below budget predictions it does represent a 5.4% increase in the 2017 value. This trend is continuing as IECEx enters 2019, noting that certificates covering mechanical equipment to the ISO 80079 series continues to grow.

#### **e) Certificate Fees Services**

The Certificate fees for the IECEx Certified Service Facility Scheme resulted in CHF 77'250 and while slightly below budget predictions it does represent an **18.5%** increase on 2017 result.

#### **f) Certificate Fees Persons**

The Certificate fees for the IECEx Certified Persons Scheme resulted in CHF 132'150 which is **32%** above budget predictions and **57%** above the 2017 result.

## **g) Other Income**

Other income provides for additional income generated within IECEx which includes income from sponsorships for IECEx workshops and conferences for 2018 this was CHF 37'741 largely due to sponsorship income from hosting of the 2018 IECEx International Conference in Jakarta and also Split.

### **Interest**

The line item "Interest" from the previous budget formats is replaced with "Net Financial Revenue", as shown lower in this document.

## **EXPENSES**

### **General**

For 2018 the overall expenditure was well below budget predictions, with the overall actual operating expenses (total expenses minus costs to conduct assessments) was contained to CHF 1'332'340 and well below 2018 budget predictions.

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.

### **Rent and Maintenance**

Covers the Sydney based Secretariat Office and includes Rent, Power, Telephone, IT, etc. The total costs were below budget predictions.

The CHF 87'574 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

### **Office & Administration**

#### **a) Office Equipment**

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

**b) 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 118,164 is in line with the approved 2018 budget

**c) Miscellaneous Legal and audit**

Caters mainly for the audit costs of the IECEx accounts and the provision of an external auditor's assessment/audit and reporting of the IECEx financial accounts and was below budget predictions. The amount of CHF 5'224 is below 2018 budget predictions.

**d) Website**

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

**e) Special Projects**

Maintained well below budget predictions and mainly covered costs associated with the updating of the IECEx website to accommodate new on-line voting system.

**Communication and Printing**

This provides for communication of the IECEx and promotion. These were maintained well below 2018 budget predictions and included costs associated with participation at various Promotional events, eg PCIC Conferences in Abu Dhabi and other conference events.

**Meeting and Travel**

**a) Special Event**

During 2018 IECEx organized and funded 2 Conferences a 1 Day Conference in Split (April) and a 2 Day Conference in Jakarta (August) costs to run these events were supplemented by sponsorship fees which are reported under "Other Income" above. The main purpose of Special Events is the promotion and increased awareness of the IECEx System and its Schemes. Costs of CHF 36'485 to run these events in 2018 were below budget predictions.

**b) Travel and Meeting Expenses**

The final amount of CHF 134'974 is slightly 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 minimize travel costs. Examples of travel and meeting costs are associated with:

- Secretariat staff for the 2018 IECEx Operational Meetings
- Secretariat staff for the 2018 Annual IECEx meetings
- Secretariat Staff to attend meetings of CAB and CAB WG Meetings,
- Meetings of ISO CASCO WGs
- Others, eg IEC Geneva Office and meetings with Member Bodies, potential new Member Bodies where necessary

## **NET FINANCIAL REVENUE**

This includes revenue for investment portfolio of the IECEX General Reserves. For 2018, the negative result is due to all main/traditional asset classes having a negative performance. CHF bonds suffered from the low/negative interest rates environment. Global bonds hedged in CHF suffered from rising interest rates in the original currencies such as USD and high cost of FX hedging. However In 2019 (as of 15.02), the portfolio recovered and is now back to positive returns.

## **ALLOCATION TO IECEX RESERVES**

The end of year result for 2018 of CHF 199'883 and 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 2018 with its contribution of **CHF 199'883** the IECEX General reserves at end of 2018 provides a total of **CHF 2,275,863**. 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. Reference: List of Decisions from the June 2013 CAB Meeting.

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**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, 2018**

## Report of the Independent Auditor to the Conformity Assessment Board of International Electrotechnical Commission, Geneva

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The accompanying summary financial statements of IEC System for Certification to Standards relating to equipment for use in Explosive Atmospheres (IECEX), which include the balance sheet as at December 31, 2018 and the statement of income and expenditure and some notes for the year then ended, are derived from the audited financial statements of the International Electrotechnical Commission (IEC) for the year ended December 31, 2018. We expressed an unqualified opinion on those financial statements in our auditor's report dated March 21, 2019.

The accompanying summary financial statements do not contain all the disclosures required by Swiss GAAP FER, namely the cash flow statement, statement of changes in equity and a full set of notes to the financial statements for the year then ended. The summary financial statements of IECEX, should therefore, be read in conjunction with the comprehensive audited financial statements of IEC.

### Executive Secretary's Responsibility for the Summary Financial Statements

The Executive Secretary is responsible for the preparation of the summary financial statements (balance sheet and statement of income and expenditure and some notes) in accordance with Swiss GAAP FER.

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements (balance sheet and statement of income and expenditure and some notes) based on our procedures, which were conducted in accordance with Swiss Standard on Auditing (SAS) 810, "Engagements to Report on Summary Financial Statements".

### Opinion

In our opinion, the accompanying summary financial statements (balance sheet and statement of income and expenditure and some notes) derived from the audited financial statements of the IEC for the period ended December 31, 2018 are consistent, in all material respects, with these financial statements, prepared in accordance with Swiss GAAP FER.

## MAZARS LTD

Daniel Dumas  
Licensed Audit Expert  
(Auditor in charge)

Geoffrey Kessler  
Licensed Audit Expert

Geneva, March 21, 2019

### Enclosure

Summary financial statements (balance sheet as at December 31, 2018 and the statement of income and expenditure and some notes for the year then ended)



**BALANCE SHEET AS AT 31 DECEMBER 2018**  
(with comparative figures for 2017)

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>	<b>CHF</b>	<b>CHF</b>
<b>Current Assets</b>	<b>2'386'040</b>	<b>2'239'799</b>
<b>Cash &amp; cash equivalents</b>	<b>380'316</b>	<b>78'937</b>
Banks, current accounts	380'316	78'937
<b>Securities</b>	<b>223'158</b>	<b>233'587</b>
IEC Pool Investments	223'158	233'587
<b>Accounts receivable</b>	<b>1'086'038</b>	<b>1'526'925</b>
Membership Dues (all years)	6'250	37'500
Certificates and surcharges	290'595	548'358
IEC current account	789'193	941'067
<b>Prepaid expenses and accrued income</b>	<b>696'528</b>	<b>400'350</b>
Prepaid expenses (IECEx secretariat)	245'234	233'557
Accrued income	451'294	166'793
<b>TOTAL ASSETS</b>	<b>2'386'040</b>	<b>2'239'799</b>
<b>LIABILITIES, CAPITAL AND RESERVES</b>		
<b>Current Liabilities</b>	<b>110'177</b>	<b>163'819</b>
<b>Short-term liabilities</b>	<b>110'177</b>	<b>163'819</b>
Accrued liabilities	110'177	163'819
<b>Capital &amp; Reserves</b>	<b>2'275'863</b>	<b>2'075'980</b>
<b>Free Capital</b>	<b>2'275'863</b>	<b>2'075'980</b>
Capital Fund IECEx	2'275'863	2'075'980
<b>TOTAL LIABILITIES, CAPITAL &amp; RESERVES</b>	<b>2'386'040</b>	<b>2'239'799</b>

**STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2018**

(with comparative figures for 2017)

	Budget 2018 (unaudited)	Actuals 2018	Actuals 2017
	CHF	CHF	CHF
<b>INCOME</b>			
<b>Membership Dues</b>	<b>320'000</b>	<b>298'000</b>	<b>292'250</b>
<b>Sales</b>	<b>15'000</b>	<b>4'500</b>	<b>5'420</b>
<b>System operations</b>	<b>1'327'000</b>	<b>1'662'472</b>	<b>1'764'489</b>
<i>Surcharges</i>	60'000	58'500	60'575
<i>RTPP annual fees</i>	5'000	6'501	5'500
<i>Application fees</i>	25'000	10'000	10'000
<i>Certificate equipment</i>	990'000	906'075	860'850
<i>Certificates services</i>	85'000	77'250	65'750
<i>Certificates persons</i>	100'000	132'150	84'450
<i>Other income</i>	60'000	37'741	74'630
<i>Assessment fees</i>	2'000	434'255	602'734
<b>TOTAL OPERATIONAL INCOME</b>	<b>1'662'000</b>	<b>1'964'972</b>	<b>2'062'159</b>
<b>EXPENDITURE</b>			
<b>Personnel expenses</b>	<b>913'500</b>	<b>911'852</b>	<b>867'368</b>
<b>Rent &amp; maintenance</b>	<b>95'000</b>	<b>87'574</b>	<b>91'377</b>
<b>Office &amp; administration</b>	<b>183'164</b>	<b>571'302</b>	<b>724'948</b>
<i>Office equipment</i>	10'000	4'696	5'848
<i>Indirect IEC costs</i>	118'164	118'164	98'325
<i>Miscellaneous, legal and audit</i>	10'000	5'224	5'093
<i>Website</i>	10'000	4'849	4'481
<i>Special projects</i>	35'000	8'330	10'734
<i>Costs to conduct assessments</i>	0	430'039	600'467
<b>Communication &amp; printing</b>	<b>100'000</b>	<b>20'192</b>	<b>18'498</b>
<b>Meetings &amp; travel expenses</b>	<b>190'000</b>	<b>171'459</b>	<b>200'636</b>
<i>Special event</i>	50'000	36'485	87'476
<i>Travel and meetings expenses</i>	140'000	134'974	113'160
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>1'481'664</b>	<b>1'762'379</b>	<b>1'902'827</b>
<b>OPERATIONAL RESULT</b>	<b>180'336</b>	<b>202'593</b>	<b>159'332</b>
<b>Net financial revenue</b>	<b>500</b>	<b>(2'710)</b>	<b>3'612</b>
<b>OPERATIONAL &amp; FINANCIAL RESULT</b>	<b>180'836</b>	<b>199'883</b>	<b>162'944</b>
<b>ANNUAL RESULT BEFORE ALLOCATIONS</b>	<b>180'836</b>	<b>199'883</b>	<b>162'944</b>
<b>Allocations (to) / from Capital &amp; Reserves</b>	<b>(180'836)</b>	<b>(199'883)</b>	<b>(162'944)</b>
<i>Capital Fund IECEx</i>	(180'836)	(199'883)	(162'944)
<b>ANNUAL RESULT AFTER ALLOCATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 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 legal seat of the IEC is in Geneva, Switzerland.

The IEC is a global, not-for-profit membership organization.

The IEC objective 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 objective, 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.

The IEC was founded in London, UK in 1906, moving subsequently to its current Geneva; Switzerland Central Office in 1948.