



ExMC/1588/DV
April 2020

**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

2019 IECEX Audited Accounts

Introduction

This document contains the IECEX 2019 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 2020 IECEX meetings, following which will be presented for CAB endorsement during the 2020 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 May 2020 meeting.

Chris Agius

IECEX Executive Secretary

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Explanatory Notes to the 2019 IECEX Audited Accounts

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.

One of the key features of the Swiss GAAP Accounting Standards is the provision of consolidated budgeting and accounting to capture all activities of the IEC, hence for the 2019 accounts, the new format, introduced for the 2018 audited accounts, is used for IECEX as well.

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 peer assessments) of CHF 496'160 as Scheme Income and the fees paid to IECEX Assessor's organizations of CHF 494'109 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 2'051**, 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.

SUMMARY

The total income (less Assessment Fees Income plus CHF 2'051 admin fee [Assessment Fee Income less Assessment Fee Expenses]) and NET financial revenue (CHF 12'795) has resulted in an end of year total Income of **CHF 1'658'136** compared to **CHF 1'534,933** for 2018 and 5.8% below 2019 budget predictions

The Total Operating costs (Total expenses less Assessment Fees paid to Assessor Organizations of CHF 494'109) is **CHF 1'348'960** compared to **CHF 1'332,340** for 2018 and 12% below 2019 budget predictions.

All matters taken into account a final positive result for 2019 was achieved with an end of year surplus of **CHF 309'176** being achieved compared to **CHF 199'883** for 2018 and 32% above 2019 Budget predictions. The CHF 309'176 end of year surplus is transferred to the IECEX Capital Fund (Previously termed General Reserves).

At end of 2019 the IECEX Finances now sees IECEX with Reserves comprising Provisions of CHF 434'686 and Free Capital of CHF 2'150'353 and represents a 16th consecutive year in generating an end of year surplus, despite fluctuations in the Global financial situation

The conclusion being that while achieving the objectives of operating an active and growing International Conformity Assessment System the IECEX was still able achieve a 2019 end of year surplus that is 32% above 2019 budget predictions.

INCOME

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 and was in line with budget predictions.

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 well above budget predictions showing growth in issued certificates in non-IECEx member countries.

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 2019 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 2019 accounts figure was more than double budget predictions due to new bodies applying to join IECEx and reflects the realization of remarks made in the 2018 previous year audited accounts.

d) Certificate Fees Equipment

The Certificate fee income for the IECEx Certified Equipment Scheme resulted in CHF 951'143 while slightly below budget predictions it does represent a 5% increase in the 2018 value.

e) Certificate Fees Services

The Certificate fee income for the IECEx Certified Service Facility Scheme resulted in CHF 82'500 and while slightly below budget predictions it does represent an increase to the 2018 result of CHF 77'250.

f) Certificate Fees Persons

The Certificate fee income for the IECEx Certified Persons Scheme resulted in CHF 183'450 which is **83%** above budget predictions and **39%** above the 2018 result, demonstrating increasing demand for IECEx Personnel Certification.

g) Other Income

Other income provides for additional income generated within IECEX which includes income from sponsorships for IECEX workshops and conferences. For 2019 the planned conference was moved to 2020 however given the COVID-19 pandemic in Q1 2020 and unknown immediate future, the annual conference is postponed to 2021.

h) Assessment Fees

While reported in detail above, the budgeted income is derived from the IECEX Central Office issuing invoices to IECEX CBs for the involvement of Peer assessors and is offset by the expenditure item "Costs to conduct Assessments", as part of managing the peer assessment process including the engagement of Assessors and payments to Assessor organizations.

EXPENSES

General

For 2019 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 1'348'960** and well below 2019 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 86'063 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 well 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 136,620 is in line with the approved 2019 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 other misc items such as bank related fees and was slightly above budget predictions. The amount of CHF 8'522 is in line with 2019 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 upgrades.

Communication and Printing

This provides for communication of the IECEx and promotion. These were maintained well below 2019 budget predictions and included costs associated with participation at various Promotional events, eg PCIC Conferences in Abu Dhabi and other conference events. In 2019 IECEx commenced placing paid advertisements in key Industry publications, eg HazardEx

Meeting and Travel

a) Special Event

The main purpose of Special Events is the promotion and increased awareness of the IECEx System by way of conducting a 2 Day International Conference, in partnership with both the United Nations UNECE (due to their formal endorsement of IECEx) and the National Committee of IEC in a specific country.

For 2019 the planned conference was moved to 2020 however given the COVID-19 pandemic in Q1 2020 and unknown immediate future, the annual conference is postponed to 2021.

b) Travel and Meeting Expenses

The final amount of CHF 119'157 is well 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 2019 IECEX Operational Meetings
- Secretariat staff for the 2019 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 IECQ General Reserves.

For 2019, the result of 12'795 is due to maturing of investments in the investment cycle.

ALLOCATION TO IECEX RESERVES

The end of year result for 2019 of CHF 309'176 and is 32% above budget predictions. With all the above taken into account, the end of year surplus is a yet another most pleasing end of year result for IECEX.

IECEX Free Capital GENERAL RESERVE

Taking into account the results for 2019, the IECEX Reserves provide for both Provisions of CHF 434'686 plus additional Free capital of CHF 2'150'353. The General IEC policy on reserves is that reserves should be at a level of 1.5 times annual operating costs. At end of 2019 IECEX now holds Free Capital reserves equal to 1.6 times annual operating costs.

CONCLUSION

The IECEX finances continue to remain in a healthy state.

**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, 2019**

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

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, 2019 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, 2019. We expressed an unqualified opinion on those financial statements in our auditor's report dated March 23, 2020.

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 year ended December 31, 2019 are consistent, in all material respects, with these financial statements, prepared in accordance with Swiss GAAP FER.

MAZARS SA

Daniel Dumas
Licensed Audit Expert
(Auditor in charge)

Valentin Bovey
Licensed Audit Expert

Geneva, March 23, 2020

Enclosure

Summary financial statements (balance sheet as at December 31, 2019 and the statement of income and expenditure and some notes for the year then ended)

BALANCE SHEET AS AT 31 DECEMBER 2019
(with comparative figures for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS	CHF	CHF
Current Assets	<u>2'113'945</u>	<u>2'386'040</u>
Cash & cash equivalents	590'099	380'316
Banks, current accounts	590'099	380'316
Securities	233'025	223'158
IEC Pool Investments	233'025	223'158
Accounts receivable	856'921	1'086'038
Membership Dues (all years)	2'500	6'250
Publications	350	0
Certificates and surcharges	714'381	290'595
IEC current account	139'690	789'193
Prepaid expenses and accrued income	433'900	696'528
Prepaid expenses (IECEx secretariat)	257'495	245'234
Accrued income	176'405	451'294
Long term Assets	<u>562'850</u>	<u>0</u>
Trademarks	562'850	0
TOTAL ASSETS	<u><u>2'676'795</u></u>	<u><u>2'386'040</u></u>
 LIABILITIES, CAPITAL AND RESERVES		
Current Liabilities	<u>526'442</u>	<u>110'177</u>
Short-term liabilities	91'756	110'177
Accrued liabilities	91'756	110'177
Provisions	434'686	434'686
Provision	434'686	434'686
Capital & Reserves	<u>2'150'353</u>	<u>1'841'177</u>
Free Capital	2'150'353	1'841'177
Capital Fund IECEx	2'150'353	1'841'177
TOTAL LIABILITIES, CAPITAL & RESERVES	<u><u>2'676'795</u></u>	<u><u>2'386'040</u></u>

STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2019

(with comparative figures for 2018)

	Budget 2019 (unaudited)	Actuals 2019	Actuals 2018
	CHF	CHF	CHF
INCOME			
Membership Dues	330'000	307'000	298'000
Sales	5'000	5'047	4'500
System operations	1'427'000	1'827'403	1'662'472
<i>Surcharges</i>	60'000	71'350	58'500
<i>RTPP annual fees</i>	5'000	9'000	6'501
<i>Application fees</i>	15'000	33'800	10'000
<i>Certificate equipment</i>	1'100'000	951'143	906'075
<i>Certificates services</i>	85'000	82'500	77'250
<i>Certificates persons</i>	100'000	183'450	132'150
<i>Other income</i>	60'000	0	37'741
<i>Assessment fees</i>	2'000	496'160	434'255
TOTAL OPERATIONAL INCOME	1'762'000	2'139'450	1'964'972
EXPENDITURE			
Personnel expenses	960'000	956'000	911'852
Rent & maintenance	100'000	86'063	87'574
Office & administration	199'120	660'041	571'302
<i>Office equipment</i>	10'000	5'787	4'696
<i>Contribution to overhead costs</i>	136'620	136'620	118'164
<i>Miscellaneous, legal and audit</i>	7'500	8'522	5'224
<i>Website</i>	10'000	6'145	4'849
<i>Special projects</i>	35'000	8'858	8'330
<i>Costs to conduct assessments</i>	0	494'109	430'039
Communication & printing	80'000	21'808	20'192
Meetings & travel expenses	190'000	119'157	171'459
<i>Special event</i>	50'000	0	36'485
<i>Travel and meetings expenses</i>	140'000	119'157	134'974
TOTAL OPERATIONAL EXPENDITURE	1'529'120	1'843'069	1'762'379
OPERATIONAL RESULT	232'880	296'381	202'593
Net financial revenue	500	12'795	(2'710)
OPERATIONAL & FINANCIAL RESULT	233'380	309'176	199'883
ANNUAL RESULT BEFORE ALLOCATIONS	233'380	309'176	199'883
Allocations (to) / from Capital & Reserves	(233'380)	(309'176)	(199'883)
<i>Capital Fund IECEx</i>	(233'380)	(309'176)	(199'883)
ANNUAL RESULT AFTER ALLOCATIONS	0	0	0

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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.

2 *Provision - Balance Sheet*

The Provision was previously covered by the IECEx Capital Fund. It is a restatement as from 2018 in alignment with Swiss GAAP accounting principles and concerns liabilities in case of the cessation of activities of the IECEx offices in Australia.