



**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

2020 IECEX Audited Accounts

Introduction

This document contains the IECEX 2020 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 2021 IECEX meetings, following which will be presented for CAB endorsement during the 2021 October IEC General Meeting.

The Auditors financial results for 2020 been reviewed during the March 2021 Executive meeting as part of the preparation of the 2023 and 2024 Outlook. Notes to the auditor's report have been prepared by both the IECEX Treasurer and Secretary.

Chris Agius

IECEX Executive Secretary

Prof XU Jianping

IECEX Treasurer

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
<http://www.iecex.com>

Explanatory Notes to the 2020 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 since 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 2021 accounts, the common IEC Accounts format is used.

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 121,007 as Scheme Income and the fees paid to IECEX Assessor's organizations of CHF 120,410 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 597**, 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 597 admin fee [Assessment Fee Income less Assessment Fee Expenses]) and NET financial revenue (CHF 7,594) has resulted in an end of year total Income of **CHF 1,606,477** compared to **CHF 1,658,136** for 2019 and 9% below 2020 budget predictions, noting that the 2020 budget was prepared well in advance of the COVID-19 pandemic and included additional income from special events, eg conferences, that did not take place.

The Total Operating costs (Total expenses less Assessment Fees paid to Assessor Organizations of CHF 120,410) is **CHF 1,285,637** compared to **CHF 1,348,960** for 2019 and 19% below 2020 budget predictions. Again, noting that the 2020 budget was set well ahead of the start of the COVID-19 pandemic.

Given the travel restrictions and other challenges associated with the COVID-19 pandemic and all matters taken into account an extremely positive result was achieved for 2020 with an end of year surplus of **CHF 231,444** being achieved which is a pleasing 28% above 2020 Budget predictions.

In line with item 6.0 of the Draft 2022 IECEX Budget (ExMC/1680/DV) a special provision was made in the 2020 accounts to introduce Designated Reserves for Innovation and Marketing amount of CHF 300,000. See 2.9 below for details.

Therefore, the CHF 231,444 has been assigned to the designated reserves with the balance of CHF 68,556 taken from the Capital Fund to arrive at the CHF 300,000 Designated Reserves for Innovation and Promotion.

At end of 2020 the IECEX Finances now sees IECEX with Free Capital (Reserves) of **CHF 2,381,797** comprising

Capital Fund = CHF 2,081,797 and

Reserve for Innovation and Promotion = CHF 300,000

The Free Capital (Reserves) of CHF 2,381,797 now sits at 1.7 X annual operating expenses noting the IEC Finance Committee, FinCom requests for IEC Business Units to maintain a reserve in the order of 1.5 X annual operating costs. There is however a view that given the IECEX exposure to legal issues, eg misuse of the IECEX TradeMark and Conformity Mark, that it would be more prudent to maintain a level of reserves at 2 X annual operating costs.

In conclusion, while achieving the objectives of operating an active and growing International Conformity Assessment System and adjustments to cater to the COVID-19 travel restrictions the IECEX was still able achieve a sound end of year result for 2020 with an end of year surplus and contribution to reserves that was 28% above 2020 budget predictions.

1 INCOME

1.1 Membership Dues (Annual Dues)

Annual Membership dues were close to Budget expectations due to new bodies now participating in the various IECEX Schemes. There were no loss of Members during the 2020 year.

1.2 Sales (Sale of publications)

This relates to sale of IECEX publications e.g. Bulletin and ExTR blanks and was in below budget predictions.

1.3 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 17% below budget predictions but yet still a healthy result especially noting that the 2020 budget was prepared well in advance of the COVID-19 pandemic.

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 2020 result was well above budget predictions, despite the impact of the COVID-19 pandemic, showing growing interest in this service.

c) Application Fees

Application fees are applicable to new countries and new ExCBs and ExTLs joining IECEX. While the 2020 accounts figure was below budget predictions, it should be noted that during the 2020 year IECEX did not lose any member bodies or organizations but actually received applications from new bodies seeking to join IECEX.

d) Certificate Fees Equipment

The Certificate fee income for the IECEX Certified Equipment Scheme resulted in CHF 983,900 and while slightly below budget predictions it does represent a 3.4% increase in the 2019 value.

e) Certificate Fees Services

The Certificate fee income for the IECEX Certified Service Facility Scheme resulted in CHF 81,250 and while only slightly below budget predictions it was consistent with the 2019 result.

f) **Certificate Fees Persons**

The Certificate fee income for the IECEX Certified Persons Scheme resulted in CHF 130,350 which is **30%** above budget predictions but did note a slight drop in the 2019 result, likely due to COVID-19 pandemic implications.

g) **Other Income**

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

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.

2 EXPENSES

2.1 General

For 2020 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 1,285,637** and well below 2020 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.

2.2 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.

2.3 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 78,517 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

2.4 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) Contribution to overhead costs (Indirect IEC Costs)

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

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

The amount of CHF 140,100 is in line with the approved 2020 budget

c) Miscellaneous Legal and audit

Caters for various matters such as audit costs of the IECEEx accounts and the provision of an external auditor's assessment/audit and reporting of the IECEEx financial accounts / IECEEx Trademark and website domain monitoring and bank fees and was above budget predictions.

d) Website

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

e) Special Projects

Maintained well below budget predictions and mainly covered costs associated with the updating of the IECEEx website. The uncertainty associated with COVID-19 led to the decision to not pursue other special projects.

2.5 Communication and Printing

This provides for communication of the IECEEx and promotion. These were maintained well below 2020 budget predictions due to uncertainties associated with COVID-19 but did include costs associated with advertising costs associated with the ½ page advertisement taken out in the HazardEx magazine.

2.6 Meeting and Travel

a) Special Event

The main purpose of Special Events is the promotion and increased awareness of the IECEEx System by way of conducting a 2 Day International Conference, in partnership with both the United Nations UNECE (due to their formal endorsement of IECEEx) 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 / 2022. However IECEEx is now running on-line sessions to assist in promotion plus the recent release of the new IECEEx Informational video

b) Travel and Meeting Expenses

While travel and meeting costs were incurred in January and February 2020, from March onwards all travel by the Secretariat had ceased until further notice, due to travel restrictions associated with the COVID-19 global pandemic. This cost saving in itself provides IECEX with an opportunity to further improve its current financial position.

Examples of travel and meeting costs are associated with:

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

2.7 DEPRECIATION – TRADEMARK REGISTRATION

This covers the depreciation of costs associated with the worldwide registration of the IECEX TradeMark as a means of protecting the IECEX, IEC and its members. The total cost associated with this registration is to be depreciated over a 10 year period, commencing in 2020.

2.8 NET FINANCIAL REVENUE

This includes revenue for investment portfolio of the IECEX General Reserves.

For 2020, the result of 7,594 is due to maturing of investments in the investment cycle.

2.9 ALLOCATION TO IECEX RESERVES + DESIGNATED RESERVES

Designated Reserves are funds of the Free capital (previously known as General Reserves) that have been designated for certain possible costs/expenditure that are considered to be in addition to day to day Operational costs, eg one-off costs. In light of previous requests from ExMC for IECEX to provide dedicated software to support the IECEX Question Bank associated with the IECEX CoPC Scheme along with calls for structured IECEX Marketing, re new IECEX ExMC WG17 “Marketing” funds of total CHF 300,000 are being allocated as Designated Reserves for “**Innovation and Promotion**” comprising the following two items detailed in a) and b) below.

a) IECEX CoPC Question Bank Software

The IECEX Certificate of Personal Competence Scheme (CoPC) operates with a central Question Bank (QB) that relies on IECEX Certification Bodies to create appropriate questions for candidates seeking an IECEX CoPC Certificate. The IECEX Management Committee, ExMC have supported calls from the CoPC Committee to invest in a project that includes software to assist in ensuring a common application of the IECEX CoPC QB. The amount allocated takes into account software development and resources, if needed, to complete the project.

b) IECEX Marketing Activities/Projects

New IECEX WG17 Marketing, has commenced work in Q1 2021 on a marketing plan for the IECEX. Already and as part of that plan, IECEX have produced the first IECEX Promotional video to introduce IECEX and sees additional videos and other marketing projects, including engaging with external Marketing professionals as part of its marketing campaign.

In line with Swiss GAAP accounting practice these Designated reserves now show in the IECEX Balance Sheet as part of these Audited Accounts as reviewed and prepared by the IEC Swiss Auditors. This was also addressed during the March 2021 meeting of the IECEX Executive and will be further discussed during the 2021 annual ExMC meeting.

Therefore, the 2020 end of year surplus of CHF 231,444 has been assigned to the designated reserves with the balance of CHF 68,556 taken from the Capital Fund to arrive at the CHF 300,000 Designated Reserves for Innovation and Promotion.

The end of year result for 2020 of CHF 231,444 and is 28% above budget predictions. Taking into account the impacts of the global COVID-19 pandemic, the end of year surplus is a yet another most pleasing end of year result for IECEX.

2.9 IECEX Free Capital GENERAL RESERVE

Taking into account the results for 2020, the IECEX Reserves provide for a free capital of CHF 2,381,797 consisting of CHF 2,081,797 of Capital Funds and CHF 300,000 as designated Reserves for Innovation and Promotion. The General IEC policy on reserves is that reserves should be at a level of 1.5 times annual operating costs. At end of 2020 IECEX now holds Free Capital reserves equal to 1.7 times annual operating costs.

3 CONCLUSION

The IECEX finances continue to remain in a healthy state. The IECEX Treasurer proposes the IECEX Management Committee to endorse these audited accounts.



**International Electrotechnical Commission,
Geneva**

Report of the Independent Auditor
on the Financial Statements of the IEC System for
Certification to Standards relating to Equipment for
use in Explosive Atmospheres (IECEx)
to the Conformity Assessment Board

Financial Statements 2020



KPMG SA
Esplanade de Pont-Rouge 6
PO Box 1571
CH-1211 Geneva 26

+41 58 249 25 15
kpmg.ch

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

Report of the Independent Auditor on the Financial Statements

As independent auditor, we have audited the accompanying financial statements of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX), which comprise the balance sheet, statement of income and expenditure and notes for the year ended 31 December 2020.

Executive Secretary's Responsibility

The Executive Secretary is responsible for the preparation of the financial statements in accordance with the accounting, valuation and presentation principles as stipulated in the notes to the financial statements. 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 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 31 December 2020 comply with the accounting, valuation and presentation principles as stipulated in the notes to the financial statements, applicable to the preparation of the financial statements.



**International Electrotechnical
Commission, Geneva**

Report of the Independent Auditor on
the Financial Statements of the IEC
System for Certification to Standards
relating to Equipment for use in
Explosive Atmospheres (IECEX)
to the Conformity Assessment Board

Other information

The financial statements of IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX) for the year ended 31 December 2019 have been audited by another auditor who expressed an unmodified opinion on these financial statements in the report dated 23 March 2020.

KPMG SA

Pierre-Henri Pigeon
Licensed Audit Expert
Auditor in Charge

Cédric Rigoli
Licensed Audit Expert

Geneva, 30 March 2021

Enclosure:

- Financial statements (balance sheet, statement of income and expenditure and notes)

BALANCE SHEET AS AT 31 DECEMBER 2020

(with comparative figures for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS	CHF	CHF
Current Assets	<u>2,027,113</u>	<u>2,113,945</u>
Cash & cash equivalents	76,545	590,099
<i>Banks, current accounts</i>	76,545	590,099
Securities	240,036	233,025
<i>IEC Pool Investments</i>	240,036	233,025
Accounts receivable	1,311,337	856,921
<i>Membership Dues (all years)</i>	0	2,500
<i>Publications</i>	210	350
<i>Certificates and surcharges</i>	415,631	714,381
<i>IEC current account</i>	895,496	139,690
Prepaid expenses and accrued income	399,195	433,900
<i>Prepaid expenses (IECEx secretariat)</i>	270,370	257,495
<i>Accrued income</i>	128,825	176,405
Long term Assets	<u>804,564</u>	<u>562,850</u>
<i>Trademarks</i>	804,564	562,850
TOTAL ASSETS	<u><u>2,831,677</u></u>	<u><u>2,676,795</u></u>
 LIABILITIES, CAPITAL AND RESERVES		
Current Liabilities	<u>449,880</u>	<u>526,442</u>
Short-term liabilities	15,194	91,756
<i>Accrued liabilities</i>	15,194	91,756
Provisions	434,686	434,686
<i>Provision</i>	434,686	434,686
Capital & Reserves	<u>2,381,797</u>	<u>2,150,353</u>
Free Capital	2,381,797	2,150,353
<i>Capital Fund IECEx</i>	2,081,797	2,150,353
<i>Reserve for Innovation & Promotion</i>	300,000	0
TOTAL LIABILITIES, CAPITAL & RESERVES	<u><u>2,831,677</u></u>	<u><u>2,676,795</u></u>

STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2020

(with comparative figures for 2019)

	Budget 2020 (unaudited)	Actuals 2020	Actuals 2019
	CHF	CHF	CHF
INCOME			
Membership Dues	330,000	322,250	307,000
Sales	5,000	1,645	5,047
System operations	1,435,000	1,395,398	1,827,403
<i>Surcharges</i>	65,000	54,000	71,350
<i>RTPP annual fees</i>	8,000	13,500	9,000
<i>Application fees</i>	15,000	11,000	33,800
<i>Certificate equipment</i>	1,100,000	983,900	951,143
<i>Certificates services</i>	85,000	81,250	82,500
<i>Certificates persons</i>	100,000	130,350	183,450
<i>Other income</i>	60,000	391	0
<i>Assessment fees</i>	2,000	121,007	496,160
TOTAL OPERATIONAL INCOME	1,770,000	1,719,293	2,139,450
EXPENDITURE			
Personnel expenses	1,008,000	1,007,600	956,000
Rent & maintenance	110,000	78,517	86,063
Office & administration	202,600	288,378	660,041
<i>Office equipment</i>	10,000	3,753	5,787
<i>Contribution to overhead costs</i>	140,100	140,100	136,620
<i>Miscellaneous, legal and audit</i>	7,500	16,512	8,522
<i>Website</i>	10,000	4,606	6,145
<i>Special projects</i>	35,000	2,997	8,858
<i>Costs to conduct assessments</i>	0	120,410	494,109
Communication & printing	80,000	15,100	21,808
Meetings & travel expenses	190,000	16,452	119,157
<i>Special event</i>	50,000	0	0
<i>Travel and meetings expenses</i>	140,000	16,452	119,157
TOTAL OPERATIONAL EXPENDITURE	1,590,600	1,406,047	1,843,069
OPERATIONAL RESULT	179,400	313,246	296,381
Depreciation	0	(89,396)	0
Net financial revenue	500	7,594	12,795
OPERATIONAL & FINANCIAL RESULT	179,900	231,444	309,176
ANNUAL RESULT BEFORE ALLOCATIONS	179,900	231,444	309,176
Allocations (to) / from Capital & Reserves	(179,900)	68,556	(309,176)
<i>Capital Fund IECEX</i>	(179,900)	68,556	(309,176)
<i>Reserve for Innovation & Promotion</i>	0	(300,000)	0
ANNUAL RESULT AFTER ALLOCATIONS	0	0	0

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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 Significant Accounting Policies

Statement of Compliance

These summary financial statements are derived from and an extract of the International Electrotechnical Commission (IEC) Statutory Financial Statements for the year ended 31 December 2020 and are consistent in all material aspects with these financial statements, prepared in accordance with Swiss GAAP FER.

The accounting principles set out below have been applied consistently to all periods presented in these financial statements.

Cash and cash Equivalents

Cash and cash equivalents comprise cash balances and short-term investments in an active market with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

Investments

Securities within IEC Pool investment (pooled amounts from IEC Standards & Services and IEC CA Systems) are valued at amortized cost for direct investment into bonds and at fair value for other investments.

Accounts Receivable

Accounts receivable and other short-term receivables are carried at their nominal value less any impairment required for business reasons.

Trademarks

The IEC brand is represented by the five registered trademarks: IEC, IECEE, IECEX, IECQ and IECRE. When a customer or end-user buys an IEC Standard or Conformity Assessment service or product, the associated trademark is a label of quality and authenticity which provides certain rights or advantages to the user. The cost of implementing enhanced trademark protection was first activated as a separate class of intangible assets in 2019 with depreciation beginning in 2020. The total intangible trademark asset amount will be depreciated over 10 years, on an ongoing basis.

Provisions

A provision is recognised in the Balance Sheet when IEC can make a reliable estimate, and has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 *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.